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GOVERNMENT OF THE PROVINCE OF ALBERTA

REPORT

OF THE

ALBERTA TAXATION INQUIRY BOARD

PROVINCIAL AND MUNICIPAL
TAXATION

EDMONTON, NOVEMBER 30th, 1927

EDMONTON

PRINTED BY A. SCHAFFER, KING'S PRINTERS
1927

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Central of Finance
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HONOURABLE CHARLES COCKROFT,
Provincial Treasurer,
Edmonton.

SIR:

I have the honour to present herewith the Report of The Alberta Taxation Inquiry Board.

Respectfully submitted,

J. F. PERCIVAL,
Chairman.

November 30th, 1935.

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1. INTRODUCTION

The Alberta Taxation Inquiry Board was appointed December 1st, 1933, under Order in Council 951/33 which reads as follows:

"The Executive Council has had under consideration the report of the Honourable the Provincial Treasurer, dated November 28th, 1933, stating that it is expedient and in the public interest that inquiry should be made into the taxation now imposed by the Province, and by municipal and other similar authorities pursuant to any power of taxation under any statute of the Province for the purpose of ascertaining by whom all or any of such taxes are ultimately paid, and without derogating from the generality of the foregoing, whether or not any tax or any class of taxes, having regard to the incidence thereof, bears unduly upon any occupational class of persons as compared with any other occupational class or classes, or upon the persons residing in urban districts as compared with the persons living in rural districts, and if so, the extent to which all taxes or any tax bears more heavily upon any occupational class to the exoneration of the rest, or upon the residents of urban districts in exoneration of the residents of rural districts or vice versa, as the case may be:

Therefore, upon the recommendation of the Honourable the Provincial Treasurer, the Executive Council advises that a board be and is hereby appointed, to be known as 'THE ALBERTA TAXATION INQUIRY BOARD,' consisting of the following persons, namely:—

J. F. Percival, Deputy Provincial Treasurer,
James C. Thompson, Provincial Auditor,
W. D. Spence, Chairman, Alberta Assessment Commission,
J. J. Duggan, Member, Alberta Assessment Commission,
John Gair, Member, Alberta Assessment Commission,

whose duty it shall be to proceed to make such inquiry as is hereinbefore more particularly set forth, and for that purpose to do all acts and things as the said Board may deem to be necessary and proper for the purpose of conducting such inquiry or any investigation in connection therewith, and upon the completion of the inquiry to draw up a report, and submit the same to the Provincial Treasurer for transmission to the Lieutenant Governor in Council.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer, that the said J. F. Percival shall be the Chairman of the said Board, and that Hugh M. Baker be and he is hereby appointed as Secretary of the Board.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer, that the reasonable and proper expenses of the Board be paid out of the General Revenue Fund.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer, that any service rendered by any member of the Board in carrying out any duty hereby imposed on the Board shall be deemed to be service incidental to the ordinary employment of that member as a civil servant or member of the Alberta Assessment Commission (as the case may be) and the person so rendering that service shall not be entitled to any remun-

eration other than the remuneration payable to any such person in respect of such ordinary employment."

Public hearings were held in the cities of Edmonton, Calgary, Lethbridge and Medicine Hat, of which public notice was given in the press. In addition, an invitation was extended to those who could not attend the hearings to submit their representations in writing.

From the numerous briefs submitted to the Board, many of which are of an exhaustive character, together with verbal representations, it was evident that a widespread interest in the subject of taxation prevailed throughout the Province.

Representations were submitted to the Board by the following organizations and individuals:

Abbott, C. R.—Lacombe	Fitzallen, J.—Vegreville
Alberta Association of Municipal Districts	Ford, H. W.—Bassano
Alberta Motor Association	Gunn, W. A.—Edmonton
Anglo-Western Oils, Ltd.	Hitchins, M. W.—Athabasca
British Dominions' Land Settlement Corporation, Ltd.	Hudson's Bay Company
Calgary—City of	Lethbridge—City of (endorsed by Lethbridge Board of Trade)
Calgary Public School Board	Lincoln, Alderman W. A.—Calgary
Calgary Board of Trade	Medicine Hat—City of
Campbell, Walter S.—Edmonton	Medicine Hat Chamber of Commerce
Canadian Manufacturers' Association —Alberta Branch	Milk River delegation
Canadian National Railways	Mitchell, Commissioner David—Edmonton
Canadian Pacific Railway Company	McTavish, D. C.—Sangudo
Canada & Northwestern Farm Co.	Nowers, E. B.—Calgary
Coldwell, P. E.—Craigmyle	Retail Merchants Association—Alberta Provincial Board (endorsed by Edmonton, Medicine Hat & Lethbridge Branches)
Edmonton—City of	Roe, G.—Altario
Edmonton Chamber of Commerce	Ross, Alderman J. H.—Calgary.
Edmonton Public School Board	Union of Alberta Municipalities
Edmonton Civic Government Association	Vegreville—Town of
Edmonton Local Board of Health	Vulcan Municipal Hospital District
Edmonton Economic Club	Western Stock Growers' Association
Edson—Town of	

Letters dealing with various phases of local assessment and taxation were received from the following persons:

Ames, Jasper—Alix	Heustrom, A.—Czar
Bishop, W. A.—Oyen	Kelly, Henry—Millet
Bolin, Hugh—Drumheller	Lanberbis, Jas. P.—Coronation
Boulten, J.—Blacktail	Lowe, George—Delia
Boulton, T.—Stavely	Parker, Mrs. S. M.—Hanna
Bow Valley Ratepayers Association	Parr, E.—Mearook
Bower, Hugh—Red Deer	Robertson, A. H.—High River
Brown, A. T.—Arrowwood	Stuart, Robt.—Innisfail
Caldwell, W. H.—Wildwood	Whealon, Miss E. A.—Knee Hill Valley
Chalmers, B. T.—Millarville	Willis, J. L.—Edmonton
Dau, George—Three Hills	

The Board desires to express its thanks to all those who submitted briefs and to officials of the municipalities and others who, through their kindly co-operation in supplying information requested, assisted the Board in its inquiry.

2. SUMMARY OF REPRESENTATIONS

The following is a brief summary of representations made to the Board. It will be noticed that the issues referred to, cover an extensive field, but it is felt that all have an effect on the "incidence of taxation," and are therefore entitled to careful examination.

CITY OF CALGARY:

1. Taxation in General:

The burden of taxation is neither equitable, just nor impartially levied, nor (in the case of municipal taxation) is it founded upon any scientific principles.

2. Interrelation of Federal, Provincial and Municipal Governments:

- (a) Municipalities are limited by provincial powers, and by such of those powers as are granted by legislative enactment.
- (b) The federal and provincial field of taxation should be re-surveyed and re-subdivided.
- (c) Surrender of Income Tax receipts by Dominion to Province is preferable to abandonment of collection machinery of Dominion Government.

3. Real Property:

- (a) Land is no longer evidence of ability to pay.
- (b) The land and improvement tax is in effect a capital levy on a diminishing asset.
- (c) In many cases annual taxes exceed rental returns.
- (d) Present system of taxation of real property discourages home ownership, industrial and manufacturing activity, and investment of capital.
- (e) Taxation of real property should as far as possible be restricted to payments made in return for benefits received.
- (f) The present system of taxation is destroying the basis upon which it is founded.

4. Tax Exemptions:

- (a) In Calgary 21 million dollars worth of property is wholly or partially exempt from taxation.
- (b) No adequate reason exists why all properties should not bear their just proportion of the cost of services enjoyed.

5. Education:

- (a) The complications arising from the presence of non-resident pupils in city schools would disappear if the Province assumed its proper function in the field of education.
- (b) In Great Britain the State contributes 50% of school costs, both current and capital. Calgary's position is rapidly becoming as impossible as it is illogical.
- (c) At present the Provincial Government leaves the financing of education largely to the enforcement of a taxation system as antiquated as it is inadequate.
- (d) Recommended that the Province provide the whole cost of education apart from such subsidies as the Dominion Govern-

ment may grant, also that school boards present their budgets to the Provincial Executive Council instead of to City Councils.

6. Social Services:

Property owners should not be expected to provide the cost of those social services which are obviously provincial or state obligations.

7. Licenses:

- (a) Trade licenses should be based upon the cost of regulation and inspection, and one set of regulations and one system of inspection is enough.
- (b) That uniformity in amount and conditions be adopted to minimize present uncertainty and confusion.
- (c) Trade licenses for revenue purposes should be dispassionately reviewed.

8. Business Tax:

This tax has no reference to ability to pay, income, assessed value, or profits. With acceptance of responsibility by the Province, and taxation for education, social services, relief and hospitals on scientific principles, this tax could be reduced or possibly abolished.

9. Service Tax:

In lieu of this tax the Provincial Government's contribution in 1934 was \$45,000. The Service Tax was difficult, and its evasions many. With a proper application of Provincial Income Tax receipts, restoration of this tax would be unnecessary.

10. Taxation of Utilities:

The Provincial Telephone System derives its major revenue from Calgary. The Provincial Government should contribute a special franchise tax for its intra-urban telephone system.

11. Arterial Roads:

By way of Gasoline Tax, Automobile and Truck Licenses, Calgary contributes to the Provincial Government over 1½ million dollars. The Government should pay the cost of those portions of provincial arterial highways which pass through the city.

12. Provincial Revenue Derivable from Cities:

An amount close to \$3,000,000 per annum is levied on Calgary citizens by the Province. If the City is to be left with its present obligations, and the Province declines to accept its responsibilities, a greatly increased contribution from the Province to the City is essential.

13. Supplementary Revenue:

The basis of this assessment is arbitrary, and comparatively unrelated to the City's own assessment. If the government accepts responsibilities already indicated, its continuance would be justified.

14. Interest Rates:

Questions relating to reduction of interest rates and municipal financing are recommended to the earnest attention of the Board.

15. Recommendations of the City of Calgary:

- (a) Acceptance by the Province of the sole financial obligation for education, health, relief and social service.

- (b) To that end, an increase both upwards and downwards in Provincial Income Tax, Succession Duties and whatever other provincial imposts are or can be scientifically applied.
- (c) In the event of the adoption of (1) the removal from cities of the right to levy taxes except for strictly municipal purposes.
- (d) The submission of school board and hospital estimates to the Provincial Executive Council, the expenditure of available moneys to be still entrusted to the local boards.
- (e) Subject to the provisions of (1), abolition of or reduction of Business Tax and a readjustment of licenses.
- (f) In the event that (1) is not admitted, the abolition of the Supplementary Revenue Tax, the contribution of a Telephone Utility Franchise Tax, an enlargement of prevailing grants, the Provincial maintenance of arterial roads, a sharing of the Provincial revenues derivable from the City, become necessary.
- (g) An inquiry into and a revision of prevailing tax exemptions.
- (h) Whatever revision of the B.N.A. Act or of the relations between the Dominion and the Province as may be necessary in the premises.

CALGARY PUBLIC SCHOOL BOARD:

The case of the Calgary School Board is summed up in the following resolutions:

- 1. That a new financing set-up for the maintenance of public and high schools in the Province be established by the Provincial Government, including special financial provisions for the increased enrollment in our high schools due to present industrial and economic conditions.
- 2. That the cost of instruction of non-resident pupils be made a direct provincial responsibility.
- 3. That in the revision of our present system of taxation for school purposes, a larger measure of financial responsibility be assumed by the Province, and that a large portion of the burden of taxation at present placed upon real property be transferred to other sources of revenue.
- 4. That we strongly urge upon the Provincial Government the necessity of setting aside for school purposes a substantial portion of the revenues derived by it from the mine, petroleum and other natural resources of the Province, as well as a definite percentage of the revenues received from such taxes as a luxury tax, an amusement tax, an income tax and an inheritance tax, and that from such funds substantially increased grants be made to local school districts throughout the Province so that our schools may be placed upon a more secure foundation in regard to the services that they are called upon to provide.

CALGARY BOARD OF TRADE:

- 1. The rapid increase of tax arrears renders it difficult for municipal authorities to provide for their many financial obligations.
- 2. In 1933 about 90% of civic revenue was derived from assessments of real estate and business taxes. A tax on real estate becomes inequitable when it fails to leave a net revenue sufficient to provide a reasonable return on capital value. Where it so fails the tax

- amounts to a capital levy, and if continued would eventually result in confiscation.
3. The City has to assume an ever increasing burden of social services not necessarily related to the property-owning taxpayers, and it is not logical that such persons should alone bear this burden.
 4. In such times as exist today it is impossible for owners of rented homes and apartment blocks to pay taxes from the rents of same.
 5. The Province has trespassed on sources of income primarily belonging to civic authorities.
 6. A revision of property assessments is necessary so that assessments bear a proper relation to real values and to the revenue producing possibilities of the property assessed.
 7. Provincial Government properties within the boundaries of the City of Calgary benefiting by street improvements, civic utilities and police protection should be taxed on a fair basis including local improvement taxes.
 8. With reference to the Provincial Government Telephone plant located within the city, a conference with the Provincial Government is suggested leading to an appropriate assessment of this utility.
 9. It is suggested that the Provincial Government share with the City the following Provincial revenues:—Income Tax, Liquor Profits, Gasoline Tax, Auto Licenses and Amusement Tax.
 10. A study of the incidence of taxes on rented homes and apartments to determine whether under present conditions tenants are, through their rentals, bearing a fair share of the municipal burden.
 11. A clearer definition of the taxation fields properly belonging to Federal, Provincial and Municipal Governments should be determined.

E. B. NOWERS, CALGARY:

1. The present practice of assessing land at one rate and buildings at another, is unsound.
2. In the collection of taxes throughout the Province, there is a general lack of aggressiveness.
3. The extent to which land is taxed is destroying the value of property and preventing the normal purchase of homes.
4. Theoretically the tenant is presumed to pay taxes, but the proportion paid by the tenant, estimated over a period of years, is very small.
5. In the assessment of lands in the Province, it is of the utmost importance that values on an economic basis be established.

ALDERMAN J. H. ROSS, CALGARY:

A "Social Tax" designed to relieve real property of the cost of various social services, and to distribute the burden among all persons and corporations in receipt of income, is suggested. In this brief it is also suggested that the imposition by the Province of a Gross Revenue Tax, payable monthly, and distributed to the municipalities according to local need, would largely solve the present problem of municipal taxation.

ALDERMAN W. A. LINCOLN, CALGARY:

This brief urges (a) reduction of Provincial taxation, (b) abolition of the Supplementary Revenue Tax, (c) the claim of the City to a share of revenue derived from the Provincial Income Tax, Liquor Profits, Gasoline Tax, Auto License Fees, Corporation Tax, and Amusement Tax.

CITY OF EDMONTON:**1. Real Property:**

- (a) Real property is immovable and forms a fixed and favourite target for taxation. It is in effect "a capital tax". When taxation is imposed thereon it is an accepted principle that "the value of the site is lowered by a **capitalized value of the tax.**"
- (b) In present depression the final incidence of taxation is on the owner, not on the tenant.
- (c) The tax rate in Edmonton in 1934 was 64 mills. Residences are assessed on the basis of 50% of their value and business premises at 60%. High taxation drives money into other channels of investment, retards building development, produces business stagnation, eventually confiscates property, and diminishes the number of surviving taxpayers. If process continues, total forfeiture is inevitable.
- (d) Tax arrears are accumulating every year. As at December 31st, 1933, arrears amounted to \$2,130,790. Ownership of real property is becoming a "liability, not an asset." This is largely due to unfair burden of education, health, social services and unemployment relief now so heavily imposed upon this one class of property.
- (e) Supports recommendations contained in the "Harper Report" as follows:
 - "Place relationship of Province and Municipality in regard to taxation upon clear basis."
 - "Real property to assume burden of 'beneficial' taxes, the community as a whole to be charged with the burden of 'onerous' taxes."
 - "Additional civic services should be paid for out of revenues other than those derived from land."

2. Education:

B.N.A. Act places education within provincial sphere. Province fixes standard and qualification of teachers, standard of examinations, rigid inspection and school attendance. School trustees requisition Municipal Councils for money required. Councils legally bound to pay, whether the full levy is collected or not.

3. Health:

Health Services, such as are now required, are national in character, and should therefore be supported out of national funds. Government has divided Province into Health Districts in charge of Local Boards of Health. These boards notify Municipal Councils of annual requirements which Councils must supply.

4. Social Services:

Old Age Pensions and Mothers' Allowances are national or provincial services and cannot be regarded as local services. Relief of

unemployment should be borne entirely by the National Government. Attention is called to the fact that 25% of persons receiving direct relief from Edmonton moved into the city since the beginning of 1930.

5. Tax Exemptions:

Government property, schools, churches and charitable institutions now enjoy exemption from taxation. The value of these exemptions amount roughly to \$18,000,000. The cost of the services enjoyed by these exempted properties is carried by a diminishing number of property owners.

6. Recommendations of the City of Edmonton:

- (a) That the Provincial Government withdraw from the taxation of land.
- (b) That the Income Tax be under one control, be made more productive and be partly used to relieve municipal taxation.
- (c) That exemptions of property from taxation be considered with a view to reduction.
- (d) That a scheme of refunding public debt at lower rates of interest be adopted.
- (e) That consideration be given to the issuance and use of public credit as a source of capital to meet expenditures involved in the support of various public services.

EDMONTON CHAMBER OF COMMERCE:

- (a) Reasonable economy is a fundamental necessity.
- (b) A proper balance of all forms of expenditure is only attainable by having the spending done by the authority which is responsible for raising the revenue.
- (c) Recommends that the powers of School Boards, Health Boards, etc., to demand a certain sum from a taxing authority without the latter having any control should be restricted.
- (d) Agrees with the brief presented by the City of Edmonton that the present municipal taxation, based as it is so largely on real estate, is exterminating that base.
- (e) Education, health (in its wider aspects) and social services, such as Mothers' Allowances, Old Age Pensions and Unemployment Relief are either national or provincial obligations. The presumption is that a service is national or provincial, as the case may be, when the state insists on its being carried out in accordance with its own standards.
- (f) Urban lands have to bear an unfair and crushing burden in support of services of a provincial and national character.
- (g) The superior Governments possessing as they do wider powers of taxation and greater means of credit should at once relieve municipalities of a substantial portion of the burdens now borne by them.

EDMONTON PUBLIC SCHOOL BOARD:

The financing of education is in a most precarious state.

As the cost of education is strictly chargeable to land (except that portion derived from government grants) it will be seen how excessive the burden must be on one type of property.

The solution of the problem now being reviewed appears to be either (1) the establishment of a single taxing authority with a corresponding control, or (2) the initiation of a co-ordinated system. The latter is favoured. The three taxing authorities should get together and determine upon "spheres of responsibility" and "spheres of taxation." Until this is done there will be marked overlapping and the "incidence of taxation" will continue to be unjust.

The Federal Government indirectly has a responsibility in connection with technical training and has already established a precedent of making grants to the Provincial Department of Education in aid of same. These grants ceased three or four years ago. The technical efficiency of its citizens is closely related to trade and industry and its encouragement should be a logical concern of the Federal Government. An urgent demand should be made for the restoration of these grants. Technical education is very expensive. At the Edmonton Technical School the per capital cost in 1932 was \$176.11. At the Calgary Technical School \$211.37. For academic high schools the corresponding figures were \$116.96 and \$116.64. For commercial high schools \$106.81 and \$103.10.

The taxpayers of the Cities of Edmonton and Calgary combined spend more money in elementary and secondary education than the Department's appropriation for education over the entire Province.

Recommendations of the Edmonton Public School Board:

1. The Board recommends that in keeping with constitutional responsibility, the Province to assume the entire responsibility for the operating and financing of public schools, or
2. The Province to appoint all teachers and assume responsibility for the payment of salaries in accordance with a Province-wide schedule, the local municipality being responsible for the balance of operation cost, or
3. Let the Province share on a 50-50 basis in financing the cost of secondary education. At the present time the main task of our high schools is the non-professional training of teachers to staff the Province's schools, or
4. Let the Province make an all round substantial increase in all its school grants, and make substantial subventions towards the erection of school buildings.
5. A service tax for education should be imposed, thus ensuring an equitable contribution from all who benefit.
6. Publicly owned utilities should be included in the public school tax panel and be required to contribute to the School Board an amount in school taxes equal to what they would be required to do if belonging to private corporations.
7. The Amusement Tax should be a local tax and as recreation is associated with education, this tax should be allocated to the financing of education within the sphere from which it is obtained.

CIVIC GOVERNMENT ASSOCIATION OF EDMONTON:

Due to increased taxation the financial position of Edmonton is now precarious:

The City should exert every effort to effect sales of properties forfeited for non-payment of taxes. A department should be created and an aggressive policy adopted.

The Supplementary Revenue Tax should be repealed.

Social Services should not be a burden upon land, which should only bear the cost of such services as are direct benefit to it.

A share, not less than one-quarter of the Income Tax, Liquor Profits, Gasoline Tax, Motor License Fees and Amusements Tax should be returned to the City.

A vigorous tax collection system would have beneficial results. Monthly payment of taxes would not only educate a person in the payment of his taxes, but would provide the city with funds during the first half of the year and avoid bank borrowings.

Government commercial enterprises, such as liquor stores and provincial telephone offices, now carried on for profit, should be subject to the same business tax as private commercial enterprises.

In all future city borrowings it is urged that the City finance on the serial bond plan.

EDMONTON ECONOMIC CLUB:

The application of a municipal income tax, fairly and justly applied, is well nigh impossible. Provincially it is fraught with many difficulties. In the Dominion field it meets a minimum of obstacles.

Education should be looked upon as a provincial problem entirely. The placing of almost the entire burden on real property, instead of making it a first function of government drawing its revenue from all sources, is a startling weakness in our educational structure, and one which should be speedily corrected.

All social services such as Mothers' Allowances, Old Age Pensions, Workmen's Compensation, Minimum Wage, etc., be turned over to the administration of the Federal Government, such services to be treated as a Federal responsibility.

The assumption of responsibility for education by the Province would increase provincial costs and lower municipal. The right of the Province to obtain increased revenues from urban municipalities would have to be recognized and the beneficial results and economies effected would more than justify the change suggested.

The Provincial Government should test the validity of its right to institute a Hospital Sweepstake so that the national instinct for sport and play may be used to alleviate suffering by retaining for such service large sums of money now leaving the Province in connection with sweepstakes.

EDMONTON LOCAL BOARD OF HEALTH: Re TUBERCULOSIS:

It is suggested that free treatment be provided for all residents of Alberta who suffer from tuberculosis, and that the cost be distributed equitably over the population.

At present the patient is required to pay \$1.50 per day, the Provincial Government assuming the remaining portion of the operating cost, about 85c.

An unsatisfactory aspect of the existing arrangement is that the victim too often delays the necessary treatment because if he is a bread winner his income stops. The result is that many carry on until they are simply forced by their physical condition to give up. Then it is either too late to be cured, or the cure can only be obtained at a much greater expense.

In the Province of Saskatchewan there is a Commission known as the Saskatchewan Anti-tuberculosis League. It is responsible for the administration and operation and, among other things, for the apportionment of the necessary levies in the Province.

In that Province the present scheme requires the cost to be divided and charged as follows: 40% against urban municipalities, and 60% against rural, each being required to pay its portion of that respective division in accordance with its total assessment. By utilizing assigned beds in approved hospitals, Alberta could adopt a scheme such as the one referred to without additional capital expenditure in sanatoria.

In the last five years, the City of Edmonton paid to the Central Alberta Sanatorium \$93,667 and has collected from its patients \$18,843.

This recommended plan is in keeping with the principles of health insurance adopted by the Alberta Legislative Assembly.

WALTER S. CAMPBELL, EDMONTON:

Advancing mill rate in Edmonton results in increasing forfeiture of lands. Taxpayers in city decreasing annually, number at present estimated to be 18,000. Decrease results in additional tax burden on survivors.

The objectives to be aimed at are: (1) taxation distributed more equitably; (2) forfeited lands and homes returned to private ownership; (3) the encouragement of building homes with employment and purchasing power increased; (4) the strengthening of the financial position of the city.

To reach these objectives taxation must be spread over all citizens who enjoy benefits of services. At present there is one employed non-taxpayer for every one taxpayer.

Tenants do not generally pay taxes in the form of rent. After deduction of taxes, insurance, depreciation and maintenance, not five per cent. of rented homes now pay three per cent. of capital investment to owners.

All voters should be taxpayers. Taxation in Edmonton must cover a broader field and be collected from those who produce and are able to pay.

Interest rates on bonds should fluctuate in relation to changing costs of commodities.

CITY OF MEDICINE HAT:

1. In view of restricted sources of taxation now available to municipalities, revision of the whole field of assessment and taxation has become urgent.
2. The responsibilities forced upon municipalities by Acts of the Legislature are regarded by this City as either Provincial or Dominion obligations.
3. If the Provincial Government declines to take over the financing and administration of social services, the cost of which is now largely borne by municipalities, new municipal sources of revenue must be found.
4. Education, health, relief and other social services are primarily obligations of the Province.

MEDICINE HAT CHAMBER OF COMMERCE:

1. No part of social services of a national character should be made a burden upon municipalities. Except for trifling grants, the whole burden of education is now laid upon land in every municipality and it has become more than land can bear. The service of education should no longer be mainly a matter of local concern, but should be within the jurisdiction of the Department of Education, not only in respect to its general programme, but also in respect to the raising and allocation of the necessary funds.
2. There are many people who enjoy all the benefits which Medicine Hat has to offer without contributing anything whatever to the revenue of the city. Such individuals, whose assets are concealed, exist in large numbers throughout the Dominion.
3. The Dominion Government should surrender its Income Tax to the Province, the latter to extend the operation of this tax to larger and smaller incomes.
4. That a clear definition of the rights and responsibilities as between the Federal, Provincial and Municipal authorities has become imperative.

CITY OF LETHBRIDGE:**1. Real Property:**

- (a) Present system of municipal taxation is fundamentally wrong. Property taxes are too high and owners pay a disproportionate share of municipal taxation.
- (b) Property owners must bear the burden of all social legislation costs imposed upon them by the Provincial Government.
- (c) Increased taxation is fast making property a liability instead of an asset, retards building and developments, and the small home owner is in serious jeopardy of losing his home. Confiscation of homes cannot be allowed to continue.

2. Gasoline Tax:

Urban centres contribute most of the revenue derived from this tax. A large number of automobiles in the Province are used to a great extent on city streets, but no portion of the Gasoline Tax or Auto License Fees is returned to urban municipalities.

3. Telephone Department:

- (a) Telephones rates were increased in 1926. In view of the large decrease of subscribers since that date, city users are entitled to a reduction.
- (b) Urban centres have contributed to the Province more than their proportionate share for this service.
- (c) Rates for rural subscribers were or are less than half of the actual cost.
- (d) Special discounts are given to rural subscribers in arrears with no such privileges given to urban subscribers.
- (e) The Department uses the streets of Lethbridge without charge. If the Provincial Telephone System were privately owned, the City of Lethbridge would receive thousands of dollars annually in taxes.

4. Income Tax:

This tax bears more heavily on the city wage earners than it does upon men earning their living on the food-producing farms.

5. Provincial Revenue:

A share of the revenues obtained by the Province from Income Tax, Amusement Tax, Liquor Profits, Gasoline Tax, Corporation Taxes, Licenses and Unearned Increment Tax should be returned to the municipalities.

ALBERTA ASSOCIATION OF MUNICIPAL DISTRICTS:

It is recommended:

1. That the field of taxation as between the Province and municipalities be more clearly defined.
2. That all assessments of lands, improvements and business be considered as belonging exclusively to the field of municipal and school taxation.
3. That improvements and business in hamlets, villages, towns and cities be subject to tax levies for all purposes.
4. That improvements on all parcels of not more than five acres in any hamlet be subject to taxation for all purposes.
5. That the interest of the lessee in any lands leased from the Province situated within organized territory be made subject to the same taxes as those of any other ratepayer therein.
6. That a scheme of hail insurance applicable to the whole Province be considered.
7. That a scheme of Provincial Industrial Homes for the aged and infirm be considered.
8. That a scheme similar to that in force in Saskatchewan whereby all tuberculosis patients receive free treatment be considered.
9. That a compulsory contributory health scheme be considered.
10. That the responsibility for the care of neglected children and mental deficient be assumed entirely by the Province.

UNION OF ALBERTA MUNICIPALITIES:**1. Real Property:**

The taxation of real property, particularly in the large urban centres has reached a stage of confiscation.

2. Relief of Unemployment:

Unemployment is national in character, and the cost should be borne by the Federal Government.

3. Public Health:

Health is national in character. The Provincial Government has divided the Province into Health Districts and has placed them in charge of local Boards of Health. Municipal Councils are notified of the annual requirements and must furnish the amount requisitioned.

4. Education:

The Province has fixed the standard and qualification of teachers, the standard of examinations, school attendance and maintains them

by rigid inspection. School Trustees requisition the Municipal Councils for the amount of their requirements and the councils are legally bound to pay whether the full levy is collected or not. Municipal Councils have no voice or control. Since the B.N.A. Act was enacted, the character of education has materially changed. The trend towards technical and vocational training has an aspect of national value and liberal contributions to this type of service should be made by the National Government.

5. Social Services:

Old Age Pensions, Mothers' Allowances and national unemployment relief are national or provincial services. The burden of cost is thrown mainly on one class of property—land and improvements—and urban municipalities consider this a proper and just cause for protest.

6. Recommendations of the Union of Alberta Municipalities:

- (a) That the basis of all taxation should be that of "ability to pay."
- (b) That the Income Tax Schedule be increased and be collected by one authority, and its revenue allocated to municipalities on a per capita basis.
- (c) That a special tax be imposed on all interest and dividends and be collected at the source.
- (d) That urban municipalities be empowered to impose a tax on trucks and busses doing inter-urban and inter-provincial transportation business.

J. FITZALLEN, Member of Special Committee, Union of Alberta Municipalities:

1. Real property should be taxed to meet the charges arising from municipal services which contribute to the earning power, utility or value of such property.
2. For purposes of social services, a tax on income constitutes the only sound source of revenue for the following reasons: (a) that it is essentially non-confiscatory; (b) that it is only operative against those having ability to pay; (c) that it operates equitably against income derived from all sources; (d) an income tax is so graduated as to bear most heavily on those enjoying large incomes.
3. The Provincial Government through its Income Tax Department should act as a levying and collecting agent for urban municipalities.
4. The present method of assessing improvements on real property is faulty and confiscatory. The basis of assessment should be investment value rather than replacement value.

CANADIAN NATIONAL RAILWAYS:

Business Tax:

This Company takes no exception to the imposition of a Business Tax, but protests against the varying rates of taxation as applied to certain classes of business in the Cities of Edmonton, Red Deer and Wetaskiwin.

In Edmonton the tax rate varies from 6% covering manufacturers' workshops, repair shops, etc., to a maximum of 25% covering railways, banks, telegraph offices, etc.

There is no justification for assessing railways roundhouses, workshops, and repair shops at 25% when a rate of 6% is effective when such shops are operated by persons other than a railway company. A similar comparison is made in respect to the Company's downtown office. Against it is assessed a business tax of 25% of the rental value, while a merchant in the same building is charged only 10%.

When an assessment has been determined, whether for land, buildings or business, a uniform rate of taxation should apply, and nothing can justify a discriminatory varying rate of taxation.

A uniform rate of levy in respect to business tax is in force in the Province of Ontario, Manitoba and Saskatchewan.

Suggest that in respect to the Business Tax one City Act for use in all cities in the Province be adopted, and that it be based upon rental values, and that a uniform rate of taxation not exceeding the general municipal rate be applied.

CANADIAN PACIFIC RAILWAY COMPANY:

1. General Earnings:

- (a) Gross earnings of the company in 1928 amounted to \$229,039,296, and in 1933, \$114,269,688—a decrease of 51.5%.
- (b) General railway taxation in Alberta reveals a progressive increase from 1924 to 1932, taxation in 1924 being \$294,029.91 and in 1932, \$534,957.03—or an increase of about 20%.

2. Motor Busses and Trucks:

- (a) Shrinkage in railway earnings, while attributable in part to the depression, is in large measure due to the competition of motor busses and auto trucks.
- (b) It is unfair to the Railway and Express Companies that as general taxpayers, with decreased revenues, they should be expected to contribute to the construction, maintenance and operation of highways for the use of trucks and busses which are depriving the Railway and Express Companies of a large part of their revenues.
- (c) Railways have invariably borne the burden of developing virgin or unsettled territory. Once the territory is settled, a demand arises for better highways, and when these are built bus and truck competition follows.
- (d) These considerations are pointed out to show that the comparative bases of taxation on railways on the one hand, and busses and trucks on the other, are unfair to the former, having regard to the benefits enjoyed by bus and truck operators at the expense of the general taxpayer.

3. Telegraphs:

- (a) In its telegraph service the railway company has suffered serious inroads from the competition of the Alberta Government Telephone System, which is free from provincial and municipal taxation. This is an important element to be considered in the taxation of telegraphs.
- (b) The revenue of the C.P.R. Telegraphs has decreased 32.6% from 1926 to 1933. In 1925 the taxes were \$4,266.52, or .91% of revenue. In 1933 the taxes were \$4,416.25, or 1.32% of

revenue. The rate of taxation in 1933 is nearly 40% higher than in 1925.

- (c) The C.P.R. Telegraphs in addition to paying taxes to the Provincial Government under The Corporations Taxation Act, pays business taxes on its branch telegraph offices in the cities.

4. Express Companies:

- (a) The revenue of the Canadian Pacific Express Company in 1924 was \$2,228,377, and in 1933, \$1,399,732. The taxes paid in 1924 under The Corporations Taxation Act amounted to \$4,330 and in 1933 to \$4,972.
- (b) Railway companies are bound by law to provide accommodation for both passenger and freight traffic at stations and on their trains. The intermediate stopping places of busses are usually hotels which, because of the business the busses bring, charge nothing for waiting accommodation.
- (c) While busses and trucks pay license fees and gasoline tax, their contribution is negligible in proportion to the cost of construction and maintenance of the highways over which they travel. Not only have the railways to acquire land for right-of-way and to build and maintain their own road-bed, they are also required to pay taxes on same to municipalities and school districts as well as to the Province.

5. Recommendations of the Canadian Pacific Railway Company:

- (a) The company recommends bus and truck companies and individuals should only be allowed to operate under special franchise for which a substantial fee should be paid to the Government.
- (b) Uniformity of principles of assessment and rates of taxation in connection with railway company properties should be established throughout the Province. It may be pointed out in support of this plea that taxation in two towns of the same size and population vary widely in consequence of their different financial needs and are subject to change resulting from new councils periodically taking office, and that the policies and views of assessors in respect to the value of property in towns, villages and municipal districts are as numerous and varied as the assessors themselves.

HUDSON'S BAY COMPANY:

1. General:

Real property should be required to pay by way of taxes:

- (a) 100% for works or services directly beneficial to such property, and such taxes may be classified as "beneficial."
- (b) In proportion along with other forms of wealth for works or services of general benefit to the community or society at large. These may be classified as "onerous" taxes.

The British method of taxing real property is worth study to see if it could, in some measure, be adopted in Alberta. In England potential values are not considered. The use of land at the time of assessment is the basis of taxation.

To avoid ambiguity with its consequent misunderstanding between the assessor and the assessed, the basis of all assessments should be clearly defined.

Real property as a basis for taxation was adopted hundreds of years ago because it was a fair indication of income. It is no longer a proper basis for equitable taxation.

The basic principle in assessment is that land and improvements be subject to assessment on the basis of actual value.

The mill rate should be the best evidence to the taxpayer of the financial position of the municipality.

2. Cities:

In establishing the assessed value of improved property, due consideration should be given to the following factors:

- (a) Reproduction cost less depreciation.
- (b) Obsolescence or over-development.
- (c) The extent to which buildings enhance the value of land.
- (d) Capitalized net income.
- (e) Market value.

Under existing conditions tenancy is cheaper than ownership, and this is due to excessive taxation.

3. Rural Municipalities:

Many school districts make their own assessments and levy their own taxes, thus duplicating much of the work done by the assessor and tax collector. The municipalities should make the assessment and include in the taxes the amount required for school purposes. This is done in Manitoba and Saskatchewan and results in administrative economies.

Mill rates for school purposes vary from 5 to 25. Departmental officials should be given more authority in creating and determining their financial administrative problems.

Certain areas used for stock raising on Government grazing leases pay a rental of 2c per acre plus taxes of 2c per acre. An arrangement should be made whereby private grazing lands would be taxed on the same basis as Government lands.

A start should be made in assessing improvements on farm lands so that taxes may eventually be levied on the full value.

Whatever justification there may have been for The Wild Lands Tax Act, the reasons for its continuance have long since disappeared. Land is no longer held at speculative prices. The imposition of The Wild Lands Tax has, in the past few years, been the important factor in leading to the abandonment of lands and consequent loss of revenue to schools and municipalities.

BRITISH DOMINIONS LAND SETTLEMENT CORPORATION, LTD.:

Wild Lands Tax: All justification for The Wild Lands Tax has gone. The revenue obtained from this tax has declined to a negligible amount, and the recognized principle of equity and justice warrant the immediate abolition of the Act.

ANGLO-WESTERN OILS, LIMITED:

Mineral Tax: Section 2 of The Municipal District Act was amended in 1930 as follows: " 'Mineral' shall include coal, but shall not include natural gas, petroleum gasoline or any oil of mineral nature."

The amendment, exempting mineral oils and gas, narrows the application of the Act to coal, unless it is assumed that Alberta farm lands contain the more valuable minerals.

The Act throughout refers to minerals, no reference is made to mineral rights. The interpretation of the Act, that it refers to known minerals, has been confirmed by the opinion of counsel.

It is difficult to see how it can be interpreted to mean anything other than minerals in place—known to exist—and capable of being scientifically measured, in order that fair actual value may be established as required by the Act.

The statute says that municipal councils and assessors may, in their absolute discretion, decide (a) whether minerals shall be assessed or not; (b) whether minerals shall be assessed as parcels separate from the land (irrespective of whether surface and minerals are vested in one ownership or several); (c) whether minerals shall be assessed with the land as one parcel.

The intention of the statute that the presence of minerals must be established before they can be assessed is quite clear.

The wide discretionary powers given to municipal councils result in unintelligent assessment and unfair taxation.

The Act is intended only to apply to minerals known to exist. An entirely different interpretation is adopted by municipal district councils. At present assessments are evidently based on the assumption that whole areas are underlaid with assessable mineral, and that the Act gives power to tax mineral rights without any evidence of the existence of the minerals.

WESTERN STOCK GROWERS' ASSOCIATION:

Taxation on the Short Grass Plains:

The difficulties at present experienced by those engaged in cattle and sheep production on the grazing lands of Alberta and Saskatchewan are not entirely attributable to depressed prices which have prevailed since 1930, but are due in large measure to a combination of unfavourable conditions associated with the development of the grazing lands over a period of years.

Taxation charges alone amount approximately to 25% of the returns received for all ages of cattle at present prices. Among the recommendations are the following:

- (a) A rate of taxation that stockmen can afford to pay.
- (b) That a flat rate of rental and taxes be levied on all grazing lands and collected through one agency;
- (c) That consideration be given to rates of taxation in relation to those in vogue in other beef and mutton producing countries.
- (d) That taxes be levied according to the productive value of the land rather than according to fictitious values.

CANADIAN MANUFACTURERS' ASSOCIATION (Alberta Branch):

1. General:

- (a) In recent years the ratio of taxation to overhead expenses in connection with industry has increased to an alarming extent.
- (b) National, provincial and municipal taxation has permeated the industrial fabric requiring not only continuous cash disburse-

ments, but an ever increasing outlay for accounting, clerical and technical assistance.

- (c) The imposition of further intolerable burdens on industry and commerce must be relieved by the adoption of a policy of greater economy in connection with provincial and municipal governments.
- (d) More co-operation between the Province and the Dominion and between the provinces themselves is desirable to promote uniformity in method and time of making returns, in reducing collection expenses, and in preventing double or multiple taxation.
- (e) The primary object in any investigation into taxation must be to ascertain what surplus exists in any business after payment of all legitimate expenses has been made.
- (f) Having ascertained the average surplus, the amount should be capitalized on the basis of a reasonable gross return to the owner and the capital value thus ascertained should be the assessed value of the business for taxation purposes.
- (g) It should be a fixed principle that the aggregate taxation should not reduce the net return to the owner to a point that does not provide for depreciation and a reasonable rate of interest on the capital invested.

2. Income Tax:

- (a) The prevailing practice of enacting overlapping taxation especially in the income tax sphere, is such as to require the immediate attention of the Government.
- (b) Having regard to the existing Federal Income Tax, the Alberta Income Tax, both as to individuals and corporations, is excessive.
- (c) The Provincial Income Tax should be abolished and the Dominion Income Tax continued in behalf of the Province.

3. Corporations Tax:

- (a) The Provincial Corporations Tax is levied on the basis of 40c per thousand dollars of authorized capital, plus 10% surcharge tax.
- (b) This tax is levied not on the paid up capital of the company, but on the authorized capital. Except in so far as the capital is actually paid up the present levy is based on pure fiction.
- (c) It is urged that steps be taken to have The Alberta Corporations Taxation Act amended so that the tax will be based on paid-up capital instead of authorized capital.

4. The Companies Act:

- (a) The new device adopted by the Alberta Government to enforce registration under The Alberta Companies Act, and subsequent payment of the Corporations Tax by extra-provincial companies, non-resident in the Province, upon business obtained by non-resident travellers or agents is the most objectionable and impracticable form of taxation hitherto attempted. Enforcement in certain cases is resulting in total withdrawal of business by some of the concerns affected.
- (b) Alberta is the only province that has adopted legislation by which it seeks to obtain a levy from companies outside its jurisdiction.

- (c) Every encouragement should be afforded to foreign companies to locate in the Province.

5. Surcharge Tax:

As a measure of relief to over-burdened industries, this additional tax should be repealed.

RETAIL MERCHANTS' ASSOCIATION OF CANADA: (Alberta Provincial Board)

- (a) It is submitted that an unfair share of taxation is now imposed on retail merchants resident and operating in cities, towns and villages with little protection against the competition of those firms whose system of operating enables them to escape many of the charges levied against local resident retail merchants.
- (b) Due to the nature of their business resident retail merchants must be centrally located. Their lands and buildings are usually highly assessed, involving heavy taxation. Not only does he pay property taxes or rent; he also pays business tax, numerous licenses, heat, light and water, insurance and Workmen's Compensation, extends credit and contributes to the community enterprises.
- (c) These various forms of taxation add to the cost of doing business.
- (d) In Alberta there has developed a system of distribution by hawkers, pedlars and transient traders whereby efforts are being made to avoid local operating costs.
- (e) House to house canvassing is not confined to cities. With good roads it is found easy to canvass customers in the smaller towns, villages and rural communities.
- (f) The competition of mail order houses with headquarters outside the Province is another menace to the local merchant. It is estimated that \$15,000,000 went out of Alberta in one year to mail order houses. To permit this annual drain without requiring an adequate return in the form of taxation from these outside firms is obviously unfair.
- (g) An analysis of the amount contributed by retail merchants to the various governments by way of direct or indirect taxation would show that it far exceeds that paid by any other group of citizens.
- (h) In the interest of the business of retail distribution the present system of licensing requires to be examined to ascertain what can be done to prevent hardship or an unfair burden being placed on any one section of the people.
- (i) It is imperative that many existing licenses be abolished, and that the business tax be assessed on a more equitable basis.

ALBERTA MOTOR ASSOCIATION:

- (a) A license fee should be imposed sufficient only to cover the cost of administration and regulation of motor vehicles.
- (b) The cost of highway maintenance, interest and sinking fund should be provided through the Gasoline Tax or Fuel Tax.
- (c) The motor vehicle owner in the Province is bearing more than a fair share of taxation. Besides being subject to the ordinary general taxes, direct and indirect, he is required to pay in

respect to his motor vehicle a large part of the provincial revenue.

- (d) Since 1927 he has never paid less than 43½% of the total provincial revenue derived from tax collections.
- (e) The revenue from motor vehicle owners has greatly exceeded all the money spent on roads since the Province commenced its programme of main highways suitable to motor vehicles.
- (f) A heavy license fee prevents the operation of many cars and a heavy Gasoline Tax has the same effect.
- (g) If the Gasoline Tax is used for general purposes all users ought to pay this tax and refunds for industrial purposes should be abolished.
- (h) A change in the license year from January 1st to December 31st to April 1st to March 31st would result in greater revenue to the Province.

TOWN OF VEGREVILLE:

Total expenditure of the Town of Vegreville in 1933 amounted to \$75,890, 92% of which was provided by imposts on real property. If Business Tax levy were included, they would represent 98% of the total expenditure. It is submitted that the present system is inequitable and confiscatory.

The underlying cause of the condition from which we suffer is the improper placing of the tax burden of social services on real property.

For purposes of social services a tax on income is the only sound source of revenue.

While believing that the relief of unemployment is properly a Federal responsibility and recognizing the constitutional difficulties that exist, the Town recommends:

- (a) That the Provincial Government relieve the municipalities of burdens now imposed by legislation and that the Province bear them by increase in its Income Tax levy, or
- (b) That the Provincial Government, through its Income Tax machinery, collect for urban municipalities such sums as may be required to cover the cost of the social services now borne by them.

It is submitted that the method of assessing improvements on real property is confiscatory. Investment value of improvements is a sounder basis of taxation than replacement value.

TOWN OF EDSON:

Excessive borrowing by public authorities puts a mortgage on taxable property and withdraws from the market money which would otherwise be used for business.

Education:

Land and improvements cannot continue to bear the ever increasing expenditure of this service.

Social Services:

Too great a burden is placed on real property to cover the cost of these services.

Recommendations of the Town of Edson:

The Town recommends:

- (a) That legislation should cease to add to the functions involving further cost to municipalities.
- (b) That the Supplementary Revenue Tax is an invasion of the field belonging to municipalities whose income is already insufficient for the duties imposed upon them and should therefore be abolished.
- (c) That the cost of public education exceeds what can legitimately be charged to real property and should therefore be reduced.
- (d) That the cost of hospitalization added to taxes falls partly on those who are no better able to bear it than many of the recipients of this service, and it is suggested that the Province bear half the cost of ordinary cases and the Dominion bears the whole cost in connection with tuberculosis cases.
- (e) The separation of the values of real estate for certain purposes of site and improvements is a practice that is now unsound. In view of the progress of taxation, sites have practically ceased to have any value apart from a known prospect of using them. It would be better and more equitable to assess the whole value in one sum than go through the pretence of assessing a site value which for the most part does not exist, and a proportion of the value of improvements, which is practically the full value of the whole.
- (f) In view of the financial condition of municipalities, it would be fairer to assess property on a revenue basis as is done in older countries. In placing a capital value assessors should be instructed to take into consideration possibilities of revenue.

VILLAGE OF ENTWISTLE:

This village finds itself in a position where it has become impossible to comply with the law in respect to the care of indigents. For more than ten years all its revenue, except actual necessary expenses, has gone for indigent relief. Under present conditions nearly all its population belong to that class.

The village has become liable for bills for persons whose relatives would and could have made provision for them had they not known the village was liable.

Provident individuals cannot forever support those who live beyond their means and who make no effort to provide for the future welfare of themselves and their families—a course which the present law gives them every encouragement to follow.

With an income from taxes of between \$700 and \$800 a year, and with indigent relief bills amounting to \$988 for 1933 and \$1,535 for ten months of 1934, the council has decided that future orders for indigent relief should be payable only after existing accounts for relief have been paid.

HENRY W. FORD, C.A.:**Composite Municipal District Scheme:**

Recommends the formation of larger municipal districts. Outlines an area with Bassano as centre, where scheme could be tried out,

embracing four public services. Make area a self-governing unit in respect to municipal, educational, hospital and public health services.

Administration:

A council of five persons would tend to greater efficiency and lower costs. Secretary-treasurer or clerk given executive powers subject to statutory limitations and policy of council.

That the school inspector would be responsible for the engaging of the teaching staff and function in lieu of school boards subject to policy of Council.

Assessment and Taxation:

All rural lands to be classified under five headings, viz., A, B, C, D, E, according to possible productivity.

Urban lots to be classified under two headings, business and residential, and subdivided into classes according to desirability of location.

A basic rate per acre to be set for each class of rural land, and a basic rate per foot frontage for each class of urban land.

The Wild Lands Tax to be abolished.

Collection and Accounting:

Present forms of accounting for tax collections is both cumbersome and unnecessary.

Suggests budgeting for all branches or departments of the district adding thereto Government requisition for police, public works, judiciary, etc., and levy one tax against each class of land.

Periodical apportionment of tax collections pro rata with original requisitions.

VULCAN MUNICIPAL HOSPITAL DISTRICT:

This district includes portions of five municipalities and one local improvement district.

The levying of taxes by mill rates based on assessment of different units results in great inequality in taxation.

The local improvement district was induced to join the Hospital District on the promise that, under the scheme, the hospital tax would not exceed 3c per acre.

In the Armada district, 25 miles from the hospital, some quarter sections are taxed \$12.00 per year. In the M.D. of Royal, where the hospital is located, the maximum tax is \$6.30. In one municipality the tax is \$7.25 and in another across the road it is \$5.70.

One council will probably over levy and another perhaps does not levy at all. The Hospital Board is of the opinion that it would be better if the Hospital District were taxed on a flat rate, say 3c per acre.

About \$12,000 of the 1933 requisitions remain unpaid.

C. R. ABBOTT, LACOMBE:

One of the most vicious forms of taxation is that of taxing capital that is not yielding any revenue.

A sound tax should be on the profits of investment.

The revenue of every industry in the Province should bear a proportionate share of the expense of government.

CANADA & NORTHWESTERN FARM COMPANY:

This company purchased in 1910 eighteen sections of land ranging from Skiff to Hardisty. Sold three sections in M.D. of Coronation in 1930 and helped finance purchasers in the breaking of the land and purchase of seed.

Due to crop failures in 1931 and 1932, caused by hail and drought, purchasers abandoned their farms, leaving company with heavy tax bills.

Absolutely no sale for these lands.

MILK RIVER DELEGATION:

This delegation advocates the single tax.

In the Village of Milk River taxation has been shifted from improvements to land values only.

If it is right for the Government to take 5% of the unearned increment of land values, it must also be right to take 100% of what is totally unearned.

Delegation recommends substantial increase of the Unearned Increment Tax.

D. C. McTAVISH, SANGUDO:

Every sound system of raising public revenue should have the following characteristics:

- (a) That it does not interfere with or restrict in any way the production of wealth.
- (b) That the collection of taxes be easy and cheap so that no loss takes place between the receipt of taxes and their ultimate disbursement.

Taxation which diminishes the just earnings of labour and legitimate returns to capital tends to render the one less industrious and intelligent, and the other less disposed to save and invest.

P. E. COLDWELL, CHAIGMYLE:

Re Assessment of Farm Lands:

The fairest basis of taxation yet found is the basis of the ability of any business to produce. If any piece of farm land is taxed less than its proper share in comparison with any group of farm lands, the owner of that land is escaping a fair share of his burden of taxation, and is richer to that extent.

While the basis of assessment of farm lands in Alberta is not a flat rate, it is too near a flat rate to be fair. If suggestions to assessors from the Department of Municipal Affairs required recognition of the principle of "ability to produce," the problem of land taxation would largely be solved.

In making assessment of farm lands the following factors should be considered: fertility of top soil, classification of sub-soil, characteristics of land, and average amount of rainfall. The comparative values of the different top and sub-soils applied to wheat growing

should be determined by agronomists, while experienced and practical farmers should be consulted in regard to physical characteristics such as rolling, hilly, stony, gumbo or sandy lands.

Rainfall statistics are an important factor and should be included in a formula by which the value of any piece of land should be ascertainable.

Hospital Tax:

The practice of basing the Hospital Tax on the assessment is incongruous. There exists at present the paradox that a man twenty miles from a hospital, and by reason of his being near a school, pays more for hospitalization than one who lives beside the hospital. It seems established that the further from a hospital a person lives, the longer is his average stay there when sick.

In order to compensate for previous unjust taxation, adjustments should be made in connection with arrears of taxes on a new assessment.

A. W. GUNN, EDMONTON,
Representing the Edmonton Wholesale Society:

Urges the exploration of new sources of revenue for the Province. Believes that the hydro-electric and gas industries are not bearing their proper proportion of provincial taxation.

A 1% tax on the total receipts of the bus and truck transportation industry is recommended. Government regulation of this industry is sorely needed. At present men are employed who work 24 hours a day. Saskatchewan and Manitoba regulate the trucking industry under their Utility Boards and, in addition to licenses, 1% of the total revenue is collected by the Government.

GEORGE ROE, ALTARIO:

Theoretically the cost of roads should be charged against land values, because it is the property adjacent to the roads that benefits from the unearned increment. This does not, however, apply so long as trade monopoly sits on the top of the land monopoly.

As a part solution of the rural educational problem the establishment of boarding schools capable of accommodating three hundred pupils is suggested.

All the taxation in a properly organized society should be derived from a scientific system of taxation of site values.

M. W. HITCHINS, ATHABASCA:

General:

In the tax-roll of a municipal district much duplication of work could be eliminated. We have a separate tax for municipal, Supplementary Revenue, school and hospital purposes with penalties added twice a year. Municipal hospitals are on a requisition basis the same as schools. Larger municipal school areas should be established. The Government should place the Supplementary Revenue Tax on a requisition basis and the mill rate could then be included in municipal and hospital taxes.

Taxes in Arrears:

Persons in arrears of taxes on their home property should not be allowed to sit on councils or hospital boards.

New Taxation:

A tax on single persons for hospital purposes should be instituted also on non-property owners.

School Taxes:

Non-property owners should pay a tax for school purposes. The benefits of education for their children should not be enjoyed at the expense of the property owner.

3. DIVISION OF TAXATION DOMINION, PROVINCIAL, MUNICIPAL

In the brief presented to the Board on behalf of municipalities, there is an unanimous demand for a clearer definition of the fields of taxation as between the three taxing authorities, and for a more precise recognition of their respective obligations in regard to the cost of social services.

The demand now referred to is not confined to municipal authorities in Alberta, but is general throughout the Dominion.

The resolution adopted by The Union of Canadian Municipalities on July 20, 1934, states that "the very existence of municipalities has been imperilled by failure to apply an equitable and stabilized basis of relationship between Provincial Governments and Municipalities, both as to duties, services and revenues." Legislative action was therefore demanded that would ensure wider powers of taxation for municipalities, a more equitable distribution of the burden of social and national services, and the allocation of a larger share of national and provincial revenues towards the cost of same.

Among the recommendations contained in The Harper Report (1933) dealing with taxation in the Province of British Columbia are the following:

- (a) "That real property should assume the burden of 'beneficial taxes,' and that the community as a whole should assume the burden of 'onerous taxes'."
- (b) "That social services should not be a charge on land."
- (c) "That Mothers' Pensions should be wholly a Provincial obligation."
- (d) "That as the sources of revenue of municipalities are inadequate, there is a just claim on the Provincial Government."
- (e) "That unemployment relief is not a burden which land should carry."
- (f) "That only by placing the relationship of the Province and the municipalities upon a clear and definite basis can any permanent solution of existing difficulties be found."

In the recent Bradshaw Report on taxation in the City of Winnipeg, it is recommended that the Provincial Government return to the city one-quarter of total Income Tax, Liquor Profits, Gasoline Tax, Motor License Fees, Railway Tax, Amusement Tax, collected in the City of Winnipeg.

It is also recommended by the same authority that the Provincial Government assume the cost of Old Age Pensions, Indigent Relief, Child Welfare, and increase the grant to city schools by 50%. It is also urged that the Provincial Government pay municipal taxes on its commercial enterprises, liquor, telephone, etc., carried on in the city.

In the brief submitted on behalf of the City of Edmonton by Mr. Garside, City Solicitor, particular reference is made to the financial burden involved in respect of Old Age Pensions, Mothers' Allowances and National Unemployment, all of which he regards as being either national or provincial services. From his brief the following paragraphs are quoted:

Social Services:

"The City supports the principle of the supervision and control of health, education, social services, old age pensions and mothers' allowance as being desirable and in the public interest. The burden for their support is placed mainly upon one class of property—land and improvements—and the City

considers this forms a proper and just cause for protest and calls for a readjustment in taxation methods."

Unemployment Relief:

"It is submitted that the cost of relief of national unemployment should be borne entirely by the National Government. While the National and Provincial Governments have shared in this cost, a large proportion falls upon the City and constitutes a charge upon the same one class of property. It is estimated that 25% of the persons receiving direct relief from the City moved into Edmonton in or since 1930. The City considers that this forms a proper and just cause of protest, and calls for readjustment in taxation methods."

Education:

"The B.N.A. Act places education within the Provincial sphere. The School Trustees requisition the Municipal Councils for the amount of their requirements, and whether the full levy is obtained or not, the Councils, without having any voice or control, are legally bound to pay."

Health:

"In its general aspect health is national in character. So far as the Province is concerned, the Government, as in the case of Education, has divided the Province into Health Districts and has placed them in charge of Local Boards of Health. These Boards notify the Councils of their yearly requirements and the Councils are obliged by law to furnish the amounts required. In so far as health concerns the prevention, mitigation and suppression of disease, including tuberculosis, epidemic and mental disorders, their supervision and control is of the utmost national as well as provincial concern."

Referring to the position of real property in relation to the cost it now has to bear in respect to the services alluded to, Mr. Garside points out:

- (a) "That real property is immovable and forms a fixed and favourite target for taxation."
- (b) "That the tax on real property is virtually a capital tax, and strikes with its ever-increasing burden at the same property year after year."
- (c) "That when taxation is imposed thereon the value of the site is lowered by the capitalized value of the tax."
- (d) "That real property is the most vulnerable of all in so far as the consequence of non-payment is concerned. After a specified time of non-payment, automatic forfeiture takes place."
- (e) "That land and improvements bear not only the burden of services properly charged to them, but also an unfair and excessive burden for service national or provincial in nature."
- (f) "That consideration be given to a Dominion-wide survey of the incidence of taxation in association with the various provinces, with a view of securing a more equitable distribution of the burden of taxation and especially directed to relieve the cost of health, education, social services and national unemployment now unfairly resting upon land."

SOURCES OF REVENUE—Dominion, Provincial, Municipal:

The powers of the Parliament of Canada, as set forth in the B.N.A. Act, 1867, include "The Raising of Money by any Mode or System of Taxation," and the Act also provides that "In each Province the Legislature may exclusively make Laws in relation to (among other things) Direct Taxation within the Province in order to the Raising of a Revenue for Provincial purposes."

Municipalities derive their powers of taxation from Legislative Acts of the Provincial Government, and are compelled to assume a large proportion of the costs of such social services as education, health and unemployment relief.

Dominion Government Sources:

The amounts collected from various imposts of the Dominion Government for the year 1933 are indicated by the following table:

	Per Capita
Customs Import Duties	\$ 70,072,932 \$ 6.76
Excise Duties	37,833,858 3.65
Excise Taxes	82,191,576 7.93
Income Taxes	62,066,697 5.99
Sundry Taxation	518,799 .50
Other Revenues	53,953,128 5.20
 Total Revenue	 \$306,636,990 \$29.59

Alberta Government Sources:

The amounts collected by the Alberta Government for the same period are shown in the following table:

	Per Capita
Federal Grants and Subsidies	\$ 2,702,317 \$ 3.69
Income Tax	649,544 .89
Gasoline Tax	1,517,094 2.07
Corporation Taxes	771,861 1.05
Amusement Taxes	117,887 .16
Succession Duties	470,471 .64
Real and Personal Property	1,041,696 1.43
Other Taxation	505,084 .68
Motor Licenses	1,552,613 2.12
Liquor Profits	1,427,000 1.95
Other Revenues	4,670,418 6.41
 Total Provincial Revenue	 \$15,426,265 \$21.09

Table "A" attached hereto indicates in greater detail Provincial Government revenue in 1933, together with comparative figures for the years 1926, 1931, 1932 and 1933.

Urban Municipal Sources:

The sources of taxation from which cities of the Province derive their revenue are classified as follows: (1) Real Property Taxation; (2) Business Taxes; (3) Licenses; (4) Profits from Utilities; (5) Departmental Revenue; (6) Grants from Provincial Government.

As an example, the sources of revenue and the amounts derived therefrom in the City of Edmonton in the year 1933 are as follows:

	Per Capita
Real Property:	
Land and Buildings	\$3,252,756.83 \$41.070
Local Improvement	314,532.48 3.971
Miscellaneous	232,505.19 2.936
 Other Taxes:	 \$3,799,794.50 \$47.977
Service Tax (in lieu of)	60,000.00 .757
Business Tax	276,238.19 3.488
 \$ 336,238.19	 \$ 4.245

Licenses	63,686.80	.804
Utilities	604,300.80	7.630
Departmental Revenue	191,390.30	2.416
Provincial Government Grants	152,985.16	1.932
Miscellaneous	137,533.46	1.737

Table "B" attached hereto indicates comparatives figures in respect to the City of Edmonton's revenue for the years 1926, 1931, 1932 and 1933.

Dominion Income Tax:

This tax was first imposed by the Dominion Government in 1918, and yielded in 1933 a sum in excess of \$62,000,000. At the time of its enactment it was stated to be a war measure and as such the provinces in a spirit of patriotism, offered little if any objection to it. It was understood that this invasion by the Dominion Government into the field of direct taxation—a field previously regarded by the provinces as belonging to themselves—was but a temporary measure designed to meet abnormal national needs. It must be admitted, however, that in view of the continuing obligations resulting from the war, such as interest charges on the war debt and soldiers' pensions, the grounds on which this tax was first imposed still exist.

Provincial Income Tax:

This tax was first imposed by the Province in 1932, and for the year ended March 31, 1934, yielded the sum of \$618,776. Of this amount \$184,644 was received from corporations and joint stock companies, and \$434,132 from individuals.

In this chapter it is not proposed to deal with the incidence of this Tax as it is dealt with elsewhere in this report. It may be said, however, that the merits of a sound Income Tax are unquestioned. It is an essential aid in securing an equitable distribution of the tax burden, and conforms more closely to the principle of "ability to pay" than any other type of taxation yet devised.

It will be noted that the revenue to the Province from this tax is relatively small, being only 89 cents per capita. This is largely due to the moderate schedule of rates in force, to statutory exemptions, and to adverse influences resulting from the existence of the Dominion Income Tax. This is seen in the fact that while the rate of taxation imposed by the Dominion Income Tax on Corporations is 12%, the rate imposed by the Province is only 4%.

Municipal Income Taxation:

For the purpose of this review a reference to the experience of the cities of Calgary and Edmonton may be sufficient to indicate a situation common to all the cities of the Province.

In 1918 the City of Edmonton secured authority from the Provincial Legislature to impose an Income Tax on the annual income of every person residing in or carrying on any business in the city, and the revenue derived therefrom was as follows:

1918	\$113,847
1919	133,897
1920	176,543
1921 to Aug. 26th	32,329

The right to impose this tax was then withdrawn by Provincial Legislation, but permission was given to the cities to levy a Service Tax. This tax continued in force in the cities of Calgary, Edmonton and Lethbridge until 1932, at which time the Provincial Income Tax came into force. The three cities mentioned then abandoned the Service Tax, Calgary and Edmonton receiving from the Provincial Government, in lieu thereof, a grant of \$60,000 a year for 1932 and 1933. For the year 1934, the grant to these two cities was reduced to \$45,000. On a relative basis, grants were also given to the City of Lethbridge.

Provincial Government Revenue collected in City of Calgary during year ending March 31, 1933—Approximate figures

Particulars	Amount	Remarks
Income Tax	\$207,424.44	Paid by individuals
Corporation Tax .....	.....	Data not available
Amusement Tax	44,536.24	
Supplementary Revenue Tax	53,596.39	
Liquor Profits	297,531.20	
Pari-Mutuel Tax	33,222.97	
Motor Vehicle Licenses	246,010.00	
Sundries	52,193.00	
Fuel Oil Tax .....	.....	Data not available
Succession Duties .....	.....	Data not available
Unearned Increment Tax .....	.....	Data not available
	<hr/>	
	\$934,504.24	

In view of the fact that provincial revenues cannot easily be segregated so as to show amounts obtained from individual cities, and that in the above total no account is taken of a number of sources of provincial revenue, including profits earned in respect to Government Telephones, it may be safely assumed that a much larger sum than that stated was collected in the City of Calgary.

It should, however, be stated that the revenue obtained from such sources as liquor profits, motor licenses, and amusement taxes cannot wholly be regarded as contributions from this city, a considerable portion being paid by residents of the surrounding territory.

Provincial Grants to City of Calgary for year ended Mar. 31, 1933

Calgary School Board	\$104,423.86
In lieu of Service Tax	60,000.00
Hospitals	66,732.50
Sundries	5,330.00
	<hr/>
	\$236,486.36

Restrictive Nature of the Tax Structure in Cities:

In any study of the revision of taxes raised by the three taxing authorities, the fact that urban municipalities are largely restricted to the taxation of "real property" cannot be ignored. In Edmonton nearly 80% of its requirements is obtained in this manner and over 90% in Calgary. In regard to the cost of education, each of these cities has to raise solely from land taxation approximately \$1,500,000 a year, the provincial grants being roughly 6% of that amount.

In all the cities in Western Canada the conviction prevails that real property can no longer bear the burden involved in the growing costs of education, health and unemployment relief, and that appropriate steps must be taken to ensure a substantial diminution of this burden.

Economists divide wealth into two classes, viz., tangible and intangible, and while the latter type of wealth is being tapped to some extent by the Dominion Income Tax and by the Provincial Income Tax, municipalities have to depend almost entirely on the taxation of tangible wealth. Due mainly to the burden of taxation, the latter form of wealth is steadily diminishing, and those who have capital to invest are more and more disposed to place it in intangible securities. Primarily it is this situation that has prompted urban municipalities to advance a claim to a share of provincial revenues.

A passing reference to the findings of the Royal Commission on Local Taxation (England) may be of some use. In that report "National Services" are held to include (1) Poor Relief, including asylums and health services; (2) Police and criminal prosecutions; (3) Education; (4) Main roads. The report further states that in determining whether services are national or local in character regard must be had to the nature of such services, and whether the same are preponderantly national in character or preponderantly local in character. "The presumption is that a service is national when the State insists on its being carried out and on a certain standard of efficiency being reached."

While there can be little doubt that urban municipalities must be relieved of a portion of the burden now being carried in respect to unemployment relief and the various costly social services now delegated to them, the solution of the problem hinges largely on what the Dominion Government can be induced to do in regard to unemployment relief, and what adjustments can be made as between the Province and the municipalities.

That adjustments of such a character as will remedy existing defects in the general taxation structure have become necessary must be obvious to all. The heavy financial burden of the Province warrant the Dominion Government's retirement from the Income Tax Field, and the destructive load now borne by real property in urban municipalities requires a broader basis of taxation than is now available.

It may be well to point out, however, that in any attempt at tax reformation, existing laws cannot be changed at a stroke, and that ideal systems of taxation rarely find their way into legislative enactments. In actual practice, compromise with prevailing methods, traditional beliefs, and even popular prejudices become more or less inevitable.

It is hoped, however, that sufficient has been said to indicate the necessity of action that will result in a more equitable distribution of the tax burden, and a clearer definition of the respective obligations of the three taxing authorities.

TABLE "A"
Provincial Government Revenue from Various Sources

NOTE: Per capita figures based on 1921 and 1931 Dominion Census.
 Province 1921 population, 588,454; 1931 population, 731,605.

TABLE "B"
City of Edmonton Revenue from Various Sources

	1926	Per Capita	1931	Per Capita	1932	Per Capita	1933	Per Capita
1. Real Property:								
Land and Buildings	\$2,580,752.47	\$43.875	\$3,257,046.15	\$41.124	\$3,399,829.23	\$42.927	\$3,252,756.83	\$41.070
Land Improvement	340,452.75	5.788	423,146.26	5.343	436,714.99	5.514	314,532.48	3.971
Miscellaneous	216,896.15	3.687	232,659.35	2.938	227,053.35	2.867	232,505.19	2.936
	\$3,138,101.35	\$53.350	\$3,912,851.76	\$49.405	\$4,063,597.57	\$51.308	\$3,799,794.50	\$47.977
2. Other Taxes:								
Service Tax	53,245.79	.905	66,776.58	.843	60,000.00	.757	60,000.00	.757
Business Tax	282,665.86	4.806	305,660.81	3.859	300,391.49	3.793	276,238.19	3.488
	\$ 335,911.85	\$ 5.711	\$ 372,437.39	\$ 4.702	\$ 360,391.49	\$ 4.550	\$ 336,238.19	\$ 4.245
3. Licenses	52,415.15	.891	62,594.71	.790	62,740.58	.792	63,686.80	.804
4. Utilities	283,259.83	4.816	372,406.84	4.702	563,277.66	7,112	604,300.80	7,630
5. Departmental Revenue	225,713.29	3.837	251,586.13	3.177	233,210.01	2,945	191,390.30	2,416
6. Provincial Government Grants	128,104.14	2.178	155,772.05	2.005	159,808.65	2.018	152,985.16	1,932
7. Miscellaneous	192,666.95	3.276	75,267.53	.950	65,176.50	.823	137,533.46	1,737

4. DOMINION AND PROVINCIAL INCOME TAX

In the briefs submitted to the Board considerable attention was given to issues relating to the Dominion and Provincial Income Tax. As a method of securing contributions to the revenues of governments, based on the principle of "ability to pay," this form of taxation evokes the least objection, and is one from which, as the development of the country proceeds, increasing revenues may be expected.

The main ground of complaint is that municipalities are denied a share, except by way of inadequate grants, in the revenues thus obtained from this source by the two superior taxing authorities.

It may therefore be said that so long as municipalities are required to carry so large a share of the present financial burden of education, health, unemployment relief, and other social services of a national character, the existing sense of injustice resulting from their exclusion from the field of taxation known as "intangible" will continue to be felt.

In respect to the Dominion Income Tax, the following tables indicate:

1. Amounts collected by Provinces, in years ended March 31, 1932, 1933 and 1934.
2. Amounts of Income Assessed, by Provinces, in year ended March 31, 1932, 1933 and 1934.
3. Dominion Income Tax Returns of Individuals, in year ended March 31, 1932.

**Amounts Collected under the Dominion Income War Tax Act by Provinces,
Fiscal Years ended March 31, 1932, 1933 and 1934**

1. Province	1932	1933	1934
Prince Edward Island	\$ 40,930	\$ 84,860	\$ 128,932
Nova Scotia	833,836	889,349	910,801
New Brunswick	530,852	592,411	658,192
Quebec	20,671,026	21,452,067	20,153,390
Ontario	30,268,306	30,681,332	31,546,913
Manitoba	2,232,348	2,134,393	1,921,908
Saskatchewan	403,481	338,512	371,283
Alberta	1,853,848	1,408,126	1,390,425
British Columbia	4,403,853	4,082,526	3,872,376
	<hr/> \$61,238,080	<hr/> \$61,663,576	<hr/> \$60,954,220

NOTE: The 1934 total includes \$4,829,635 received from the special 5% tax on dividends imposed in 1933.

**Amounts of Income Assessed for Purposes of Income War Tax by Provinces,
Fiscal Year ended March 31, 1932, 1933 and 1934**

2. Province	1932	1933	1934
Prince Edward Island	\$ 1,981,321	\$ 2,015,664	\$ 2,072,019
Nova Scotia	22,748,690	23,699,355	19,701,482
New Brunswick	15,941,318	16,253,444	16,551,288
Quebec	234,313,011	259,566,516	179,807,900
Ontario	508,414,692	448,057,907	428,279,628
Manitoba	56,619,647	53,808,386	45,049,397
Saskatchewan	24,279,759	19,765,936	19,056,999
Alberta	45,115,980	32,757,215	43,652,512
British Columbia	82,033,481	87,124,464	73,972,698
	<hr/> \$991,447,899	<hr/> \$943,048,687	<hr/> \$828,143,923

**Dominion Income Tax Returns of Individuals, Fiscal Year ended Mar. 31, 1932,
Province of Alberta**

3. Occupations	No.	Tax Paid
Agrarians	227	\$ 15,948
Professional	392	120,263
Employees	5,870	278,101
Retail Merchants	568	68,292
Wholesale Merchants	35	3,514
Manufacturers	20	14,335
Natural Resources	3	768
Financial	136	161,958
Personal Corporations	36	52,019
Family Corporations	155	59,637
All Others	356	69,859
Unclassified		1,050
 Totals	 7,807	 \$845,734

From the foregoing tables it will be noted that of the total Dominion Income Tax collected in the year ended March 31, 1934, Quebec and Ontario contributed approximately 80% and Alberta 2½%, and that the income assessed in Alberta amounted to \$43,652,512, this being about 5% of the total assessed income in the Dominion. It will also be observed that while in 1932 the yield from Alberta was \$1,853,848, a shrinkage of \$445,722 occurred in 1933, and a further reduction of \$17,701 in 1934.

PROVINCIAL INCOME TAX

The following data is submitted with respect to Income Tax levied during the fiscal year ended March 31, 1934:

Statement "A"—Income Tax Assessments, Individuals—according to income groups.

Statement "B"—Income Tax Assessments, Individuals—according to occupational groups.

Statement "C"—Corporation and Joint Stock Company Assessments—according to income groups.

Statement "D"—Corporation and Joint Stock Company Assessments—according to occupational groups.

The amounts collected under The Provincial Income Tax Act for the fiscal periods ended March 31, 1933, and March 31, 1934, are as follows:

Year ended March 31, 1933—

Individuals	\$459,916.23
Corporations	189,527.98
 Total	 \$649,444.21

Year ended March 31, 1934—

Individuals	\$430,717.15
Corporations	184,643.99
 Total	 \$615,361.14

The assessments analysed are in regard to returns based on the earnings of the individual for the calendar year 1932, and have been summarized according to incomes and according to occupations.

Statement "A" reflects the number of taxpayers assessed for the year as 22,645. The total income reported by these taxpayers for 1932 amounts to \$45,200,668.46. This is a reduction from the year 1931 when 24,571 taxpayers reported an aggregate income of \$51,930,321.87.

By Section 8 (2) of The Income Tax Act numerous corporations and joint stock companies are exempt from income tax, being corporations and joint stock companies specifically taxed by The Corporations Taxation Act. Of the 1,927 returns of income received from corporations for the year 1932, only 350 proved to be taxable under The Income Tax Act. These 350 reported incomes aggregating \$6,057,963.16, with a tax liability aggregating \$210,521.11.

(In 1935, Section 8 of The Income Tax Act was amended, and joint stock companies and corporations, taxable under Sections 4 to 17 inclusive of The Corporations Taxation Act, now pay the amount of income tax in excess of the tax payable under The Corporations Taxation Act.)

STATEMENT "A"

Provincial Income Tax Assessment, Individuals—Levied during Fiscal Year ended March 31, 1934, with reference to returns of Income for 1932
Summary According to Income Groups

Income Groups	No. of Taxpayers	Income	Tax Levied
\$ 750 to \$ 1,000	5,403	\$ 4,764,478.90	\$ 23,869.89
1,000 to 2,000	9,720	13,951,924.22	74,523.50
2,000 to 3,000	4,346	10,630,564.47	46,238.91
3,000 to 4,000	1,643	5,611,721.28	29,853.32
4,000 to 5,000	647	2,886,655.87	20,757.52
5,000 to 6,000	321	1,755,264.12	17,048.55
6,000 to 7,000	180	1,156,805.34	13,862.36
7,000 to 8,000	115	862,224.50	13,098.30
8,000 to 9,000	65	552,064.57	10,044.02
9,000 to 10,000	44	416,788.87	9,691.51
10,000 to 11,000	31	325,677.73	8,158.68
11,000 to 12,000	28	438,565.37	13,345.37
12,000 to 13,000	24	299,482.24	10,836.26
13,000 to 14,000	14	186,791.59	7,463.67
14,000 to 15,000	7	102,289.39	4,627.63
15,000 to 16,000	5	78,446.09	3,698.54
16,000 to 17,000	6	98,771.66	5,569.31
17,000 to 18,000	7	121,952.45	6,938.45
18,000 to 19,000	5	91,693.59	6,037.84
19,000 to 20,000	5	98,566.83	7,075.65
20,000 to 25,000	8	174,208.07	13,454.98
25,000 to 30,000	3	84,804.53	10,328.59
30,000 and over	8	510,926.78	97,320.58
Totals	22,645	\$45,200,668.46	\$453,843.43

STATEMENT "B"

Provincial Income Tax Assessments, Individuals—Levied during Fiscal Year ended March 31, 1934, with reference to returns of Income for 1932
Summary According to Occupational Groups

Occupational Division	No. of Taxpayers	Income	Tax Levied
Agrarian	94	\$ 227,699.84	\$ 1,989.13
Professional	601	2,378,748.51	29,472.97
Employees	20,497	37,777,599.12	280,742.81
Merchants	904	2,780,435.35	30,118.57
Manufacturers	17	77,622.91	1,103.73
Financial	100	711,577.76	76,732.54
Miscellaneous Estates, Dividends, etc.	432	1,246,984.97	33,683.68
Totals	22,645	\$45,200,668.46	\$453,843.43

REPORT ON TAXATION

STATEMENT "C"

Corporation Assessments—Levied during Fiscal Year ended March 31, 1934, with reference to returns submitted for 1932

Summary According to Incomes

Income Division	Taxable Corporations
\$ 1,000 to \$ 5,000	215
5,000 to 10,000	41
10,000 to 25,000	47
25,000 to 50,000	22
50,000 to 75,000	9
75,000 to 100,000	7
100,000 to 200,000	5
200,000 and over	4
Total	<u>350</u>

STATEMENT "D"

Corporation Assessments—Levied during Fiscal Year ended March 31, 1934, with reference to Statements submitted for 1932

Summary According to Occupational Divisions

Occupational Division	No. Taxable Corporations	Income	Tax Levied
Agrarian	4	\$ 13,519.46	\$ 249.19
Merchants, Retail	140	970,194.86	31,580.76
Manufacturers	55	1,842,458.94	59,933.96
Natural Resources	54	1,784,472.75	66,536.91
Financial	53	428,057.09	14,702.91
Transportation	6	12,343.14	269.90
Public Utilities	3	746,715.70	28,846.38
All Others	35	260,201.22	8,401.10
Totals	<u>350</u>	<u>\$ 6,057,963.16</u>	<u>\$ 210,521.11</u>

COMPARATIVE STATEMENT OF PROVINCIAL INCOME TAXES

(Effective May, 1934)

SINGLE PERSON:

Statutory Exemption	Alberta	Saskatchewan	Manitoba	B.C.
	Incl. Base Tax			
Income \$ 750.00	\$ 750.00	\$ 750.00	\$ 1,500.00	Nil
900.00	1.50	6.50	3.00	9.00
1,200.00	4.50	9.50	9.00	14.00
1,500.00	7.50	15.00	22.50	20.00
2,400.00	16.50	33.00	49.50	42.00
3,600.00	37.00	60.50	94.00	84.00
5,000.00	80.00	110.00	173.25	150.00

MARRIED PERSON:

Statutory Exemption	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 500.00
Income \$ 1,500.00	-----	-----	-----	10.00
1,800.00	3.00	8.00	6.00	16.00
2,400.00	9.00	18.00	18.00	28.00
3,600.00	22.00	42.00	43.00	64.00
5,000.00	55.00	80.00	94.50	125.00

MARRIED PERSON WITH TWO CHILDREN:

Statutory Exemption	\$ 2,300.00	\$ 2,100.00	\$ 2,500.00	\$ 900.00
Income \$ 1,500.00	-----	-----	-----	6.00
1,800.00	1.00	8.00	-----	9.00
2,400.00	13.00	30.00	22.00	20.00
3,600.00	17.00	38.00	30.00	51.00
5,000.00	34.00	62.00	57.75	64.00

Note re Manitoba:

In addition to the taxes levied under The Income Tax Act (Manitoba), there is a special wage tax of 2% levied under the Special Wage Tax Act. The only persons exempt entirely from this special wage tax are married persons whose income is not in excess of \$960.00, and single persons whose income is not in excess of \$480.00; e.g., a single person with a net income of \$750.00 per annum would contribute \$15.00 to the Government under The Special Wage Tax Act, although he would not be required to contribute under their Income Tax Act. A single person with a net income of \$5,000.00 would be subject to a \$100.00 special tax in addition to an income tax of \$173.25.

BRITISH COLUMBIA INCOME TAX, 1934

The Income Tax Act imposes a tax on all income of every person resident in the province, and on the income earned within the province of persons not resident in the province.

The tax applies to the net income of all individuals, partnerships, syndicates, associations, corporations, agents and trustees.

The rate of taxation commences at 1% on the first \$1,000 of taxable income, and is progressively increased by 1% on each additional \$1,000 up to \$19,000, over which amount the rate is 10% on the whole of the taxable income.

Exemptions and Deductions: Individuals are entitled to the following personal exemptions:

A married person whose wife or husband resides in Canada	\$1,000
A widow or widower with dependent children	
A "Householder" as defined by the Act	
A single person, widow or widower without dependent children	600
Each dependent	200

Every person in receipt of income in excess of the exemption stated, whether from wages or any other source during the last preceding year, is required to make a return.

A deduction may be claimed in respect of:

- (a) Life insurance premiums paid (not to exceed \$300).
- (b) Contributions to employees' superannuation funds.
- (c) Donations to organized charities (not to exceed 5% of the net taxable income).

Farm Income: Income derived from the operation of a farm is exempt up to \$1,000.

Employers' Deductions from Wages: Every employer is required to deduct 1% from the wages of his employees whose earnings exceed \$50 per month and to pay over the amount of such deduction to the Commissioner not later than the 15th of the following month. The deductions so made, apply against any greater tax payable on receipt of the employee's return in income tax at the end of the year, or, if in excess of the actual tax payable, the excess is refunded.

Surtax: A surtax is imposed on every individual whose net income exceeds \$5,000. The rate of surtax commences at 1% on the first \$2,500, by which the net income exceeds \$5,000, and is progressively increased

by 1% on each additional \$2,500 up to 18% on the amount in excess of \$47,500.

TAXATION OF CORPORATIONS

It has already been shown that in 1932 Alberta contributed to the Federal Income Tax the sum of \$1,853,848, and that of this amount \$845,734 was paid by individuals, the balance of roughly \$1,000,000 being paid by corporations. The present rate of tax (Federal) is 12%.

The following observations in respect to the taxation of corporations in the four Western Provinces may be of interest:

ALBERTA:

In this Province taxation of corporations and joint stock companies is imposed under two Acts, The Corporation Taxation Act and The Income Tax Act.

Prior to 1935, certain corporations were specifically exempted from Income Tax by section 8 (2) of The Income Tax Act. In 1935 this section was amended, and corporations subject to taxation under Sections 4 to 17 (inclusive) of The Corporations Taxation Act now pay the amount of income tax in excess of the amount payable under The Corporations Taxation Act. The rate of tax under The Income Tax Act is 4%.

Actual collections for the fiscal period ending March 31, 1933, from corporations under The Income Tax Act amounted to \$189,527.

MANITOBA:

The Manitoba Income Tax Act grants exemption in respect to the incomes of corporations paying taxes under The Corporation Taxation Act, and the income of railways paying taxes under The Railways Taxation Act. The Manitoba Corporations Taxation Act imposes taxation on the following corporations: Banks, insurance, loan, land, trust, street railway, telegraph, telephone, gas, electric lighting and express companies. The rate of tax under The Manitoba Income Tax is 5%.

SASKATCHEWAN:

The Saskatchewan Income Tax Act exempts the income of railway companies from income taxation. The Corporations Taxation Act taxes the following: Banks, insurance, investment, land, loan, telegraph, express, trust, finance and oil companies. These companies, although taxed under The Corporations Taxation Act, are not exempt from income tax, but may deduct the taxes paid under the former Act from any income tax payable. The rate of tax applicable to corporations under The Saskatchewan Income Tax is 4%.

BRITISH COLUMBIA:

In this Province the taxation of all corporations comes under the Income Tax Act. This includes both output and alternate taxes. Corporations taxed specifically under The Income Tax Act are liable under the Act for any excess amount of tax on their net income over the special taxes indicated. Income and output taxes are under the administration of the Department of Finance and directly under the Commissioner of Income Tax. The rate of income tax applicable to corporations in British Columbia is as follows: On the first \$1,000, 1%; the rates increase 1% per \$1,000 up to the nineteenth thousand, on which the rate is 19%. The rate on that part of the income exceeding \$19,000 is 10%.

Suggestions Submitted to the Tax Inquiry Board:

From the representations made it is clear that there exists a widespread belief that the present defects of the tax structure, both as to the Province and the municipalities, can largely be remedied by appropriate changes in the income taxes now in force. As to the precise course to be followed, many and varied views have been expressed. Little attention, however, was given to obstacles of a constitutional character, it being optimistically assumed that such obstacles need not be regarded as insuperable.

Among the suggestions submitted are the following:

1. That the Federal Government abandon its income tax, both as to individuals and corporations, leaving this field of "direct taxation" to the Province.
2. That the Federal Government abandon its income tax on individuals, but retain it on corporations.
3. That in the event of the Federal Government entirely abandoning its income tax, the Province to adopt a schedule of rates both as to individuals and corporations as will ensure a substantial increase of revenue from which generous grants to municipalities requiring assistance could be made.
4. That the Federal Government use its present machinery for the collection of an income tax, a large percentage of which to be paid to the Province on a per capita basis, the Province, in turn, making grants to relieve the burden of social services now borne by municipalities.
5. That in addition to an income tax, whether collected by the Federal or Provincial Government, the latter to follow the example of Manitoba and British Columbia by imposing a wage tax.
6. That the cost and administration of those social services of a national character, now borne by municipalities, be assumed by the Provincial Government, or in certain cases by the Federal Government, and paid for out of revenue obtained from a revised income tax, thus obviating the necessity of increased grants being paid by the government to municipalities.

The Board doubts the possibility of a solution of the problem now under review until the issues involved received the attention of a conference of the three taxing authorities, but a few comments of a general character may be made.

For the fiscal period ended March 31, 1934, the Dominion Government collected in the Province of Alberta \$665,273 from the taxation of personal incomes. For the same period the Province collected by taxation of personal incomes the sum of \$430,717, the total of both amounting to \$1,095,990.

As to the suggestion that the Federal Government abandon its income tax on individuals and retain it on corporations, this would be a compromise not entirely devoid of merit.

For the fiscal period ended March 31, 1934, the Province of Alberta collected by way of income tax from corporations the sum of \$184,643, and for the succeeding six months the sum of \$156,480. If the Province, even after withdrawing from this field as far as the income tax is concerned, continued to levy taxes under The Corporations Taxation Act, the loss sustained would not be material. From the point of view of collection, it is believed that the taxing of corporations should be under the Dominion Government, as it would remove the difficulties now experienced in accurately apportioning profits for taxation purposes between provinces.

The suggestion that the Dominion Government use its present machinery for the collection of an income tax on behalf of the Province, and that the Province, in turn, give substantial relief to municipalities in respect to the cost of social services, has merits deserving the most careful consideration. On the other hand, if the Provincial Government,

by a policy of centralization, decide to assume a large share of the cost, it is possible that the present municipal tax structure need not unduly be disturbed.

In his book "Fundamental Principle of Taxation," Sir Josiah Stamp makes the following statements:

"No personal tax can be administered with safety, facility and equity unless it covers the whole of an economic community represented by a nation."

"If the proposed devolution of government in the United Kingdom is made to involve the separation of the taxation of the income into three distinct groups under direct local autonomy, it must be a retrograde movement and against the nature of things."

Reference has already been made to the institution of a wage tax in the provinces of Manitoba and British Columbia, and the propriety of adopting a similar tax in Alberta should be examined. In Manitoba the rate imposed is 2% with an exemption of single persons of \$480 and of married persons of \$960. This wage tax is collected at the source. In British Columbia every employer must deduct 1% from the wages of his employees whose earnings exceed \$50 per month.

It may be noted that in Alberta the payrolls reported to the Workmen's Compensation Board for the years stated were as follows:

1929	\$106,117,134
1930	89,623,535
1931	77,010,626
1932	64,564,763
1933	60,254,750
1934	61,880,494

These figures represent a substantial sum, but they do not indicate the total wage payroll in the Province.

In a summary of Provincial income tax assessments according to income groups for 1932 it is shown that the total taxable income of people earning from \$750 to \$3,000 a year amounted to \$29,346,966. It can, however, be safely assumed that a substantial portion of this sum represents earnings of employees who are not required to report to the Workmen's Compensation Board.

In respect to income tax, the Board has reached the following conclusions:

1. That the present schedule of Provincial income tax rates is not in line with the rates levied by the other Western provinces, and that the rates should be revised with the object of securing a larger return of revenue from this source.
2. That it would be preferable, both from the viewpoint of the taxpayer and the Province, if the income tax were collected by one authority, and efforts should be made to secure the co-operation of the Dominion Government to the end that they would collect, in addition to their own tax, the income tax for the Province; the schedule of rates being set by the Provincial Legislature.

5. THE AMUSEMENTS TAX ACT

The Act to provide for the Collection of a Tax on Persons Attending Places of Amusement was passed at the 1918 Session of the Legislature, replacing The Theatre Goers Taxation Act of 1916.

In the 1916 Act, "Theatre" was defined as any place used for the public performance of any entertainment of the stage as well as moving picture shows. The Lieutenant Governor in Council had power to fix the rate of tax, provided that such tax be not less than one cent nor more than twenty-five cents.

The 1918 Act, in addition to stage performances and exhibitions of moving pictures, includes:

"Any place kept or used for public dancing, music, singing or other public entertainment of the like kind; any place where any game, sport, pastime or athletic exercise is played or pursued; any place where races, or boxing or other athletic contests are held, every circus menagerie, side-show, carnival show or other performance within the meaning of The Travelling Shows Act and all other places where any entertainment is given, exhibition held, or game played."

"Any cabaret, restaurant, dining-room, or other place where public dances are held and an entrance fee is charged, or facilities for dancing are provided during the service of meals or refreshments."

The Provincial Secretary has authority to exempt from the tax all persons attending an exhibition, performance or entertainment when one-half of the gross receipts are to be devoted to religious, charitable or patriotic objects.

The tax has been changed from time to time, and the following rates are now in effect.

1. When the price of admission is from 11c to 30c	2c
2. When the price of admission is from 31c to 35c	3c
3. When the price of admission is from 36c to 50c	5c
4. When the price of admission is from 51c to 75c	8c
5. When the price of admission is from 76c to \$1.00	10c
6. When the price of admission is from \$1.01 to \$1.50	15c
7. When the price of admission is from \$1.51 to \$2.00	20c
8. When the price of admission is more than \$2.00	25c

In the case of places kept or used for public dancing, a tax of one cent is payable when the price of admission is not more than ten cents.

Provision is also made for a tax where a charge is made for each dance, and where dancing is permitted in cabarets, restaurants, etc., where no admission fee is charged.

In the case of any boxing bout or contest or any wrestling match, the tax is 10c on admissions of \$1.00 or less, and 25c on admissions over \$1.00.

Following are the amounts collected under this Act since 1916:

1916	\$ 38,860.66	1927	\$190,880.41
1917	77,043.64	1928	63,154.29
1918	90,275.00		(3 months)
1919	143,926.04	1928-29	245,902.97
1920	170,208.89	1929-30	256,897.36
1921	181,102.68	1930-31	162,958.35
1922	183,933.61	1931-32	105,304.07
1923	203,992.49	1932-33	117,887.23
1924	192,607.32	1933-34	115,619.21
1925	193,331.44	1934-35	121,242.85
1926	200,898.45		

The following statement shows the amounts collected in the cities of Calgary, Edmonton, Lethbridge and Medicine Hat, and at all other places in the Province, from 1927 to 1934 (Calendar Years).

	1927	1928	1929	1930
Calgary	\$ 73,131.23	\$ 78,376.11	\$105,247.59	\$ 70,174.16
Edmonton	61,776.65	68,826.09	85,888.78	69,538.96
Lethbridge	8,188.31	8,465.85	12,801.98	16,876.43
Medicine Hat	5,552.06	5,806.36	7,264.27	5,983.44
Other Places	42,232.16	45,729.63	53,467.57	28,628.73
	<hr/>	<hr/>	<hr/>	<hr/>
	\$190,880.41	\$207,204.04	\$264,670.19	\$191,192.74
	1931	1932	1933	1934
Calgary	\$ 41,466.92	\$ 42,304.89	\$42,689.25	\$ 44,815.45
Edmonton	45,258.22	42,531.92	47,972.82	46,072.62
Lethbridge	7,035.33	4,688.91	7,083.78	8,654.82
Medicine Hat	4,074.92	3,503.71	4,562.34	3,615.20
Other Places	13,356.61	15,285.71	16,224.97	16,506.87
	<hr/>	<hr/>	<hr/>	<hr/>
	\$114,282.44	\$108,315.20	\$118,533.16	\$119,664.96

✓ PARI-MUTUEL TAX

By an amendment to The Amusements Tax Act in 1927, a tax was placed on persons betting at a race meeting under what is known as the "pari-mutuel system."

A tax of 5% is levied in respect of all bets made, and is collected by the operator of the race course or race meeting.

Since 1931 a commission of 2½% of the tax collected has been paid to operators or race meetings, and in the case of the Calgary and Edmonton Exhibitions, 50% of the tax has been refunded to the respective associations.

The net revenue derived from the tax since 1927 is as follows:

1927	\$105,315.94	1931-32	\$ 65,876.22
1928-29	100,566.98	1932-33	41,299.04
1929-30	90,113.93	1933-34	33,138.53
1930-31	78,190.23	1934-35	28,146.56

The Board is of the opinion that the Order in Council governing the payment of 50% commission to the Calgary and Edmonton Exhibition Associations should be rescinded, and that any grants made to the associations affected should be voted by the Legislature.

6. THE CORPORATIONS TAXATION ACT

The Act respecting the Taxation of Corporations and Others was passed at the 1907 Session of the Legislature.

Section 3 of the Act reads as follows:

"3. For the purpose of adding to or supplementing the revenues of the Crown in the Province of Alberta, every company transacting business in the Province of Alberta shall annually pay to the Minister the tax by this Act imposed thereon at the times and in the manner hereinafter provided."

The taxes imposed on the various corporations by the Act of 1907 and the changes made since that time are set out hereunder:

BANKS:

1907:

Head Office	\$ 400.00
Each branch or agency up to 4 in number	200.00
Each branch or agency between 4 and 10	100.00

1913:

Head Office	1,000.00
Each branch	125.00

1918:

Head Office	1,200.00
Each branch	200.00

1932:

Every bank transacting business in Alberta shall pay:

- (a) In respect of its main branch, office or agency in Alberta where the total number of branches, offices and agencies of the bank in Alberta is—
 - (i) more than thirty a tax of
 - (ii) more than fifteen and less than thirty
 - (iii) less than fifteen
 - (b) In respect of branches, offices, or agencies in Calgary, Edmonton, Lethbridge, Medicine Hat and Red Deer, not taxed under clause (a) hereof
 - (c) In respect of every branch, office or agency in Alberta not taxed under clauses (a) and (b)
- | |
|----------|
| 4,000.00 |
| 3,000.00 |
| 2,000.00 |
| 500.00 |
| 200.00 |

The amounts paid by banks under this Act in the undernoted years are as follows:

1907	\$13,600.00	1932-33	\$90,850.00
1913	22,950.00	1934-35	81,450.00
1918	68,400.00		

INSURANCE COMPANIES:

Under the provisions of the 1907 Act, the tax imposed on insurance companies was 1% calculated on the gross premiums received in respect of the business transacted in the Province during the preceding year.

Companies whose head offices were elsewhere than in Alberta and who loaned money on security were taxed by the following section of the Act:

"Where a company whose head office is elsewhere than in Alberta lends money on security and has invested in this Province one hundred thousand dollars or more, such company shall pay a tax of three-quarters of one per cent

cent. calculated on gross premiums, and one-half of one per cent. on the income from investments received by such company in respect of the business transacted in the province during the preceding year."

In 1913 the above section was repealed and the following substituted:

"In the case of an insurance company which lends or invests money on securities in the Province, and has invested in the Province more than fifty thousand dollars, such company shall in addition to the one per cent. of gross premiums, pay a tax of one-quarter of one per cent. on the gross income of the company received during the year from its total investments in the Province."

At the 1922 Session of the Legislature the tax on life insurance and fire insurance companies was increased to 2% of the gross premiums. On all other companies the tax remained at 1%.

In 1931 the tax on hail insurance companies was reduced to one-half of 1 per cent., so that the rates now in effect are:

On the gross premiums received by—

Life or Fire Insurance Companies	2 per cent.
Hail Insurance Companies	½ of 1 per cent.
All other Insurance Companies	1 per cent.

If investments in the Province are over \$50,000, an additional one-quarter of 1 per cent. on gross income from these.

Since 1932, insurance companies have been subject to an additional tax, under The Corporations Temporary Additional Taxation Act, 1932, of 10% of the tax payable under this Act.

Following are the amounts paid by insurance companies in the years mentioned:

1907	\$ 46,228	1931-32	\$352,864
1913	43,334	1934-35	277,440
1922	211,752	(Not including 10% addit. tax)	

LOAN COMPANIES:

By the Act of 1907, loan companies were taxed according to the amount of their capital, with a minimum tax of \$50 per year.

In 1913 the tax was changed to a percentage of the gross income by the following section:

"Every loan company which transacts business in the Province of Alberta shall pay a tax of one-half of one per cent. on the gross income of the company received during the year from its investments in the Province, of whatever nature, including in such gross income any bonuses received for allowing prepayment of loans and revenues of any other nature from such investments, including interest received on all bank accounts; with a minimum tax of twenty-five dollars when the paid-up capital of the company is less than fifty thousand dollars, and fifty dollars when the paid-up capital is fifty thousand dollars or more but less than one hundred thousand dollars, and one hundred dollars when the paid-up capital is one hundred thousand dollars or more, which provision of a minimum tax shall apply to a company during the first year of doing business in the Province as well as hereafter."

In 1932 the tax was increased from one-half of one per cent. to one per cent. on the gross income, no change being made in the minimum tax.

The amounts paid by loan companies in the undenoted years are as follows:

1907	\$ 1,335.50	1928-29	\$ 9,543.59
1913	8,278.25	1932-33	14,723.27
1918	13,825.09	1934-35	12,275.00
1923	12,432.73		

LAND COMPANIES:

At the 1913 (2nd Session) of the Legislature, land companies were brought under the Act and the following tax imposed:

Forty cents for every one thousand dollars invested in the Province, including money invested in the purchase or acquisition of land or other real or personal property, and money remaining unpaid at the end of the preceding year on any sales of such lands no matter where made.

A minimum tax of \$25 when the paid-up capital of the company is less than fifty thousand dollars.

Fifty dollars when the paid-up capital of the company is fifty thousand dollars or more, but less than one hundred thousand dollars.

One hundred dollars when the paid-up capital is one hundred thousand dollars or more.

No change has been made in this tax since 1913.

Following are the amounts paid by land companies in the years mentioned:

1913	\$14,800.00	1927	\$ 3,230.00
1917	10,955.00	1932-33	5,422.00
1922	8,139.00	1934-35	5,695.00

TRUST COMPANIES:

Under the 1907 Act trust companies were taxed according to their paid-up capital, with an additional tax of \$500 per annum where the gross earnings of any company were \$25,000 or over. The minimum tax was \$25 per year.

In 1913 the tax was changed to one-half of one per cent. on the gross income, with a minimum tax varying from \$100 to \$175 according to the amount of paid-up capital. Section 17 of the Act reads as follows:

“(1) Every trust company which transacts business in the Province of Alberta shall pay a tax of one-half of one per cent. on the gross income of the company received during the year from its total investments in the Province including in such investments all money invested in the purchase of lands or interests therein, and including also money invested on behalf of or in trust for any person, or corporation, unless such person or corporation has paid a tax under the provisions of this Act in respect of the money so invested, and including all unpaid purchase money on lands or interest therein which have been sold as shown by a statement of the affairs of the company, with a minimum tax of one hundred dollars, where the paid-up capital of the company is one hundred thousand dollars or less, and one hundred and seventy-five dollars if the paid-up capital exceeds one hundred thousand dollars, which minimum tax shall apply to every trust company in respect of the business done during the first year as well as thereafter.”

“(2) A tax shall be payable in respect of all investments of the company notwithstanding that the mortgages or other securities therefor may be taken in the name or names of some person or persons or corporation in trust for or on behalf of such trust company;

Provided, however, that in all cases of investments of moneys belonging to any company through a trust company, the tax upon such trust company in respect of such investments shall not be greater than if such investments had been made directly by such first mentioned company.”

At the 1932 Session the tax was increased from one-half of one per cent. to one and one-half per cent. on the gross income.

Following are amounts paid by trust companies under the provisions of the Act in the years mentioned:

1907	\$ 500.00	1927	\$ 5,182.00
1913	2,970.00	1932-33	7,143.00
1918	5,743.37	1934-35	6,210.00
1923	5,318.58		

STREET RAILWAY COMPANIES:

The following tax was imposed on street railway companies by the Act of 1907 and is still in effect:

"Every street railway company in the Province of Alberta and every company working or operating a railway or part thereof entirely or partly by electricity in any city in the Province for carrying passengers shall pay a tax of two hundred dollars in each and every year where the whole line of track is twenty miles or less, and ten dollars for each mile of track in excess of twenty. In all cases the mileage shall be computed on the single track, each mile of double track being counted as two miles of single track."

Municipally owned street railways are exempt from the tax.

TELEGRAPH COMPANIES:

Under the 1907 Act telegraph companies were taxed at the rate of \$1.00 per mile of line. Every railway or other company, other than a telegraph company, which owned or operated a line or lines or part of a line or lines operated in the Province were taxed \$1,000. The Lieutenant Governor in Council had power to remit the whole or any part of the tax upon it being satisfactorily established that the lines of telegraph were used for the purpose of running trains or other railway purposes and not for commercial purposes.

In 1913 the above provisions were repealed and the tax placed on a revenue basis by the following section:

"Every company doing a general commercial telegraph business in the Province of Alberta shall pay a tax of 1% of its gross revenue, without any deductions whatsoever, earned, derived, accrued or received from any source whatsoever which may arise from business transacted in the Province and the Provincial Secretary may take such steps as to him seem necessary or expedient to ascertain what proportion of the said gross revenue does arise from business transacted in the Province."

The tax was increased in 1922 from 1% to 2% of the gross revenue.

In addition to the above tax, telegraph companies have, since 1932, been subject to The Corporations Temporary Additional Tax of 10% of the tax payable.

The following amounts have been paid by telegraph companies under this Act in the years mentioned:

1907	\$ 214.00	1928-29	\$ 4,783.00
1913	1,170.00	1932-33	4,300.00
1918	2,378.00	(Not including 10% addit. tax)	
1923	5,706.00	1934-35	\$ 5,639.00

(Not including 10% addit. tax)

TELEPHONE COMPANIES:

In 1907 the following tax was imposed on telephone companies and is still in effect:

Every telephone company working or operating telephone lines or systems in the Province for gain, shall pay the following taxes:

In cities having a population of ten thousand or over, an amount equivalent to fifty cents upon each telephone instrument rented from it;

In cities having a population of under ten thousand and in incorporated towns and villages, an amount equivalent to twenty-five cents upon each telephone instrument rented from it.

Municipally owned telephone systems are not taxed.

GAS COMPANIES:

Under the Act of 1907 gas companies, supplying gas for illuminating or other purposes for gain in any city in the Province, were subject to a tax of \$500.00.

In 1918 the section was amended so as to exempt municipal corporations from the tax, and a new paragraph was added imposing a tax on the production of natural gas, of one-quarter of a cent for every 1,000 cubic feet.

The section, as amended in 1918, and the new sections read as follows:

"Every company, other than a municipal corporation, supplying gas in any city in the Province for illuminating or other purposes for gain, shall pay a tax of five hundred dollars."

"Every company, other than a municipal corporation, supplying or dealing in natural gas shall be subject to a tax of one-quarter of a cent for every thousand cubic feet of gas, flowing, drawn or pumped from or produced by a well, owned, leased, occupied or operated by such company."

"Where oil in paying quantities and natural gas are found in the same well, and the well is worked mainly for the production of oil, such gas shall not be subject to the tax hereby imposed."

In 1932, the tax on natural gas production was increased from one-quarter of a cent to one cent for every 1,000 cubic feet of gas produced, and in 1935 it was reduced from one cent to one-half of one cent.

ELECTRIC LIGHTING COMPANIES:

The following tax was imposed on electric lighting companies in 1907 and is still in effect:

In cities with a population of ten thousand or over	\$ 500.00
In cities with a population under ten thousand	100.00
In incorporated towns and villages	25.00
Electric works owned and operated by municipalities are not taxed.	

EXPRESS COMPANIES:

Express companies were taxed by the Act of 1907 as follows:

Every company having fifty and not exceeding one hundred branch offices	\$ 500.00
Every company having over one hundred branch offices	1,000.00
Minimum tax	250.00

In 1916 the above rates were repealed and the following substituted:

For each incorporated town in which such an express company has an office, branch or agency	\$ 45.00
For each incorporated city having a population of 5,000 or over other than the cities of Edmonton and Calgary	160.00
For each incorporated city having a population of less than 5,000	45.00
For each of the cities of Edmonton and Calgary	250.00

At the 1922 Session this section of the Act was again amended by repealing the above rates and substituting therefor the following, which are still in effect:

For each place other than a city or town with a population of over 100, in which a company has any office, branch or agency	\$ 10.00
Incorporated town, having a population of less than 1,500	50.00
Incorporated town having a population of more than 1,500 and less than 5,000	100.00
City having a population of 5,000 or over, other than the cities of Edmonton and Calgary	200.00
Cities of Edmonton and Calgary	500.00

Since 1932 express companies have been subject to The Corporations Temporary Additional Tax of 10% of the tax payable under this Act.

Following are amounts paid by express companies in the years mentioned:

1907	\$ 500.00	1927	\$7,730.00
1912	1,500.00	1932-33	7,490.00
1917	4,160.00	(Not including 10% addit. tax)	
1922	7,900.00	1934-35	8,830.00

(Not including 10% addit. tax)

POWER COMPANIES:

Power companies were not taxed, as such, under the Act of 1907. At the 1918 Session of the Legislature the following section was added to the Act:

"Every company, other than a municipal corporation, which carries on business either wholly or partly in a city or town of a population exceeding fifteen thousand, and whose main object in the opinion of the Minister is the generation, distribution, supply or sale of motive power or energy of any description, shall pay a tax of one thousand dollars."

No change has been made in this section since 1918.

GRAIN COMPANIES:

At the 1922 Session of the Legislature a special tax of \$50 for each elevator used by grain companies was imposed by the following section:

"Every company which stores or distributes grain shall pay a tax of \$50 for each elevator used by it in its business."

"For the purpose of this section 'elevator' shall mean any elevator, warehouse or flat warehouse which receives grain for storage before such grain has been inspected under the provisions of the Canada Grain Act, and which is situated on the right-of-way of a railway, or on any siding or spur track connected therewith, or upon any depot grounds or any lands acquired or reserved by any railway company to be used in connection with its line of railway at any station or siding."

Grain companies are also taxed at the rate of forty cents for every \$1,000 of authorized capital. They are also subject to The Corporations Temporary Additional Tax of 10% of the tax payable under this Act.

Following are the amounts paid by grain companies in the years mentioned:

1922	\$37,500.00
1927	46,925.00
1932-33	86,225.00 (Not including 10% addit. tax)
1934-35	85,325.00 (Not including 10% addit. tax)

FINANCE COMPANIES:

A tax of one per cent. on the gross income, with a minimum tax of \$50, was imposed on finance companies at the 1932 Session of the Legislature. The sections of the Act read as follows:

"Finance Company' shall include every company, not being a bank, which finances sales of goods and chattels sold upon deferred payments or whose business or one of whose businesses is to deal in, or purchase, or lend money on the security of accounts receivable or agreements for the sale of goods or chattels upon deferred payments or securities of any kind whatsoever taken or given for the purpose of securing the performance of agreements for the sale and purchase of goods and chattels upon deferred payments."

"Every finance company which transacts business in the Province of Alberta shall in each year pay a tax of one per centum on the gross income of the company received during the preceding year by reason of the business of a finance company transacted by such company within the Province, or the sum of fifty dollars whichever is the greater."

Since 1932, finance companies have paid the following amounts:

1932-33	\$5,684.46
1933-34	3,212.55
1934-35	2,701.00

INVESTMENT COMPANIES:

Prior to 1932, investment companies had been taxed as "loan companies." At the 1932 Session the following section was added to the Act:

"Investment Company' shall include every company which receives money from the public for investment, whether by periodic instalments or otherwise, or which sells or offers for sale to the public any investment certificates or scrip either for cash or upon instalments of purchase money."

The tax was fixed at one-quarter of one per centum on the gross receipts of the company received during the preceding year or the sum of four hundred dollars, whichever is the greater.

Following are the amounts paid by investment companies since 1932:

1932-33	\$800.00
1933-34	800.00
1934-35	900.00

COMPANIES NOT OTHERWISE TAXED:

Prior to 1916, only special companies had been taxed under The Corporations Taxation Act. At the 1916 Session of the Legislature, the following section was added to provide for the taxation of miscellaneous companies at a rate of twenty cents on each \$1,000 of authorized capital, where the authorized capital exceeded \$20,000:

"Every company, joint stock company and corporation (other than a municipal corporation) whose authorized capital exceeds \$20,000 which transacts business in Alberta and is not otherwise taxed by this Act, shall pay an annual tax calculated as follows: Twenty cents for every \$1,000 of its authorized capital;

"Provided, however, that the total tax payable by any such company under this section shall not exceed \$500;

"Provided further, that this section shall not apply to an individual, a partnership, an unincorporated syndicate or trust, nor to any person, company or corporation referred to in Chapter 30 of the Statutes of 1906, and amendments thereto, nor to the Alberta Farmers' Co-operative Elevator Company, Limited."

(Chapter 30 of 1906, referred to in the above section, is The Railway Taxation Act.)

In 1922 the tax was increased from twenty cents to forty cents on every \$1,000 of authorized capital, and the above section was further amended by striking out the words "whose authorized capital exceeds \$20,000," thus making all companies liable in respect to this tax.

At the 1923 Session the words "and is not otherwise taxed by this Act" were struck out, and the following section added:

"This section shall not apply to companies taxed under any other section of this Act, other than grain companies taxed in respect of their elevators."

In 1931 the Lieutenant Governor in Council was given authority to reduce the tax in special cases by the following section:

"Provided further that in the case of any company to which this section applies which—

- (a) has its head office outside of the Province and transacts business in the Province; or
- (b) has its head office in the Province but the greater part of its assets outside the Province; or
- (c) has its head office in the Province but in the Province transacts only the business of holding the stock, bonds or other securities of other incorporated companies—

the Lieutenant Governor in Council may allow such reduction of the tax imposed by this section upon any such companies as may be deemed just, having regard to the extent, nature and importance of their operation in the

Province, provided that the tax payable by any such company shall not be less than twenty-five dollars."

The Act was further amended in 1932 to provide for a minimum tax of \$10.

At the 1935 Session the following clause was added to Section 18, giving the Minister authority to remit the tax to foreign companies when the volume of business does not exceed \$1,000 in one year:

"Provided further that the Minister may in any year, upon being satisfied that the volume of the business of a foreign company transacted within the Province during the previous year does not exceed in value or amount, or both, the sum of one thousand dollars, issue a certificate to that effect, and thereupon this section shall not apply to that company during the year in which the certificate is so issued."

The tax on corporations under this section of the Act at the present time is:

For every \$1,000.00 of authorized capital	\$.40
Maximum tax	500.00
Minimum tax	10.00

In addition, such companies are also subject to an additional tax of 10% of the tax so payable, under The Corporations Temporary Additional Taxation Act, passed at the 1932 Session of the Legislature.

Following are the amounts collected under The Corporations Taxation Act since 1907:

1907	\$ 30,293.29	1924	\$502,152.30
1908	35,120.66	1925	449,333.82
1909	39,415.92	1926	524,781.84
1910	52,245.97	1927	554,232.29
1911	65,110.46	1928	94,041.55
1912	76,981.84		(3 months)
1913	96,884.35	1928-29	606,392.80
1914	130,453.72	1929-30	706,724.74
1915	133,850.10	1930-31	693,549.92
1916	180,832.86	1931-32	698,799.49
1917	209,427.69		(Incl. \$28.70 add. tax)
1918	251,331.18	1932-33	771,860.90
1919	268,584.72		(Incl. \$62,216.93 add. tax)
1920	308,246.97	1933-34	705,606.68
1921	339,839.72		(Incl. \$51,506.68 add. tax)
1922	462,691.33	1934-35	691,572.71
1923	475,609.36		(Incl. \$51,344.00 add. tax)

In view of the fact that The Corporations Temporary Additional Taxation Act has been in effect since 1932 and will continue to be in effect for the years 1935 and 1936, and that the rates now imposed under The Corporations Taxation Act are substantially the same as those in force in other Western provinces, the Board is of the opinion that no changes in the rates now in force should be made at the present time.

7. THE EDUCATIONAL TAX ACT

"An Act respecting the Taxation of Land for Educational Purposes" was passed at the 1907 Session of the Legislature, and reads in part as follows:

"All land within the Province which is subject to taxation by the Province, save as in the next following section mentioned, shall be taxed one and one-quarter cents an acre for the benefit of education in the Province."

The minimum tax on any lot containing less than one acre was 25c.

The following property was exempt from taxation under the provisions of the Act:

1. Lands included within any organized school district.
2. All lands held by or in trust for the use of any tribe of Indians.
3. The land to the extent of one acre held by or for the use of any church and occupied by a building used for church purposes.
4. The land in use as a public cemetery, not exceeding 25 acres.
5. The land used as a right-of-way for any irrigation canal or ditch.

The Minister of Education was authorized to distribute the taxes collected in the following proportions:

Twenty per cent. towards the support and maintenance of the Provincial University.

Fifteen per cent towards the support and maintenance of such schools organized under The School Ordinance as maintain one or more room exclusively for pupils in grades above the fifth.

Fifty per cent. towards the support and maintenance of the schools within the Province organized under the provisions of The School Ordinance.

Fifteen per cent. to be used in providing an initial grant to each school district organized under the provisions of The School Ordinance.

The expense incidental to the assessment and collection of the taxes to be a first charge upon the same.

At the 1914 Session the Act was amended by adding the following paragraph:

"Every occupant of land exempt from taxation by the Province shall be taxed one and one-quarter cents per acre in respect of his interest therein; provided, however, that any occupant of land held under grazing lease or permit from the Government of Canada shall be taxed in an amount not exceeding three-quarters of one cent per acre."

The section dealing with exemptions was repealed and the following substituted therefor:

"The exemptions from taxation under the provisions of this Act shall be:

1. Lands included within any organized school district, except the interest of any person in land held under grazing lease or permit from the Government of Canada."
2. All land held by or in trust for the use of any tribe of Indians."
3. The land to the extent of one acre held by or for the use of any church and occupied by a building used for church purposes."
4. The land in use as a public cemetery, not exceeding 25 acres."
5. The land used as a right-of-way for any irrigation canal or ditch."
6. The occupant of any enclosed land held under hay permit."
7. The occupant of any land for which homestead entry has been made under the provisions of The Dominion Lands Act or of any Act substituted therefor for a period of four years after the making of homestead entry."

The Amendment Act of 1914 also provided for the collection of the tax, on lands situated in a rural municipality, by the municipality, and for the payment of 2½% of the amount collected to cover cost of collection.

In 1921 the Act of 1907 was repealed and a new Act passed.

In this Act the following lands and persons are subject to the tax:

"All the land within the Province not exempt from taxation by the Province shall be annually taxed at the rate of three mills in the dollar of the assessed value thereof;

"Every occupant of land exempt from taxation by the Province shall be annually taxed at the rate of three mills in the dollar of the assessed value of the land occupied by him, and in respect of his interest therein;

"Every occupant of land held under grazing permit or lease from the Government of Canada shall be taxed one and one-half cents per acre of land so held;

"Where any minerals on or beneath the surface of any land are leased or otherwise in the possession of any person other than the owner of such minerals, or are worked by the owner thereof for sale or use in his or its business or otherwise for profit, then the lessee thereof, such other person, or the owner, as the case may be, shall be taxed one and one-half cents per acre of such land, for each assessable portion."

A minimum tax of \$2.00 was placed on any parcel of land containing at least one acre, and a minimum of 25 cents on a parcel containing less than one acre.

The lands and persons exempt from taxation under the 1921 Act are the same as shown under the Amendment Act of 1914.

The commission paid to municipal districts was increased from 2½% to 5% of the amounts actually collected by them.

The following section of the Act deals with the disposition of the tax:

"All taxes received by the Provincial Treasurer under the provisions of the last preceding section shall form part of the general revenue fund, but the taxes received in respect of land held under grazing permit or lease from the Government of Canada shall be deposited by him in the general revenue fund as a special account and shall be expended by him from time to time under the direction of the Minister of Education in accordance with the provisions in that behalf of The School Grants Act."

At the 1923 Session the section dealing with the minimum tax payable under the provisions of the Act was repealed and the following substituted therefor:

"The tax levied on or in respect of any parcel of land in any subdivision or plan or on or in respect of any fraction of a quarter section, shall be at least twenty-five cents."

In 1926 the tax on land held under grazing permit or lease from the Government of Canada was reduced from 1½ cents per acre to three-quarters of one cent per acre.

The revenue derived from this tax in the years mentioned is as follows:

	General	Leases	Total
1908	\$ 83,476	.....	\$ 83,476
1913	80,620	.....	80,620
1918	127,561	\$ 30,878	158,439
1923	214,592	26,325	240,917
1928-29	114,890	34,696	149,586
1933-34	51,800	12,903	64,703
1934-35	59,026	9,699	68,725

It will be noted that the taxes received in respect of land held under grazing permit or lease from the Government are now deposited in a special account, the distribution of which is subject to the direction of the Minister of Education under the provisions of Section 31 of The School Grants Act.

In view of the amendments made to The School Grants Act in 1926, Section 26a, which provides for grants being made at a varying rate according to the assessed value of all school districts having a total assessment of \$75,000 or less, the Board is of the opinion that:

1. Section 31 of The School Grants Act should be repealed.
2. Section 12 of The Educational Tax Act should be amended to provide for the payment of taxes collected in respect of permits and leases into the General Revenue Fund of the Province.

8. THE ELECTRIC POWER TAXATION ACT

The Act respecting the Taxation of Electric Power Companies was enacted by the Legislature in 1929, and reads, in part, as follows:

"2. In this Act, unless the context otherwise requires, 'works' shall include all plant, machinery, installations, materials, devices, fittings, apparatus, appliances or equipment, rights-of-way and easements, constructed, or acquired for or used in the generation, transformation, transmission, distribution, delivery, sale or use of electricity, but shall not include buildings used to house plant or machinery or dwelling houses of employees or the land on which such buildings are situated."

"3. Every person or corporation other than a municipal corporation whose business is in whole or in part the generation and transmission of electric power or energy shall annually pay a tax to the Province upon the assessed value of the works and transmission lines used in such business and situated outside of any city, town or village, at the rate of 5 mills in the dollar, or at such other rate as may from time to time be fixed by the Lieutenant Governor in Council."

"The Alberta Assessment Commission shall for the purpose of this Act value all such works and transmission lines at such time and on such principles as may be directed by the Lieutenant Governor in Council."

"4. No tax for municipal district, improvement district, or school purposes shall be levied by any municipal district or school district, or in respect of any improvement district, upon any such works or transmission lines."

Under an Order in Council, the Alberta Assessment Commission was directed to value the "works" and "transmission lines" of electric power companies on the basis of their "fair actual value" and this was arrived at by the adoption of a formula which contained the following factors:

1. Property value.
2. Works value.
3. Depreciated value.
4. Capacity of plant—possible k.w.h. output.
5. Loading—actual k.w.h. output.
6. Effective capital.
7. Non-effective capital.

In determining the "fair actual value" of such properties as are now under review, the Assessment Commission was influenced by the following precedent established in England by Lord Halsbury:

"Rateable value of indirectly productive portions is ascertained by applying a percentage to their actual value. Where the indirectly productive 'works' have been constructed in 'excess of existing requirements' in order to provide for 'future needs,' it is proper to take this into account either by applying a lower percentage to the 'capital value,' or by applying the 'full percentage to a reduced capital value'."

Following are the respective provincial annual assessments and levies of the five-mill rate imposed:

	Assessment	Levy
1929	\$2,476,500	\$12,385
1930	4,438,000	22,190
1931	5,615,900	28,075
1932	6,193,000	30,965
1933	5,987,900	29,939
1934	5,988,700	29,943

Under The Income Tax Act of 1932 an electric power company was only required to pay an income tax provided it exceeded the amount payable by the company under The Electric Power Taxation Act. In

other words, the company was required only to pay whichever tax was the greater.

In 1935 The Income Tax Act was amended, and electric power companies now pay an income tax as well as a tax under The Electric Power Companies Taxation Act.

Taxation by Urban Municipalities:

At the 1931 Session of the Legislature the following subsection was added to Section 3 of The Electric Power Taxation Act:

"(1a.) Notwithstanding the provisions of any other Act, no city, town or village shall levy a tax in respect of any works or transmission lines at a rate greater than either five mills on the dollar or such other rate as may be fixed by the Lieutenant Governor in Council upon the assessed value thereof determined by the Commission in accordance with the provisions of this Act;

"Provided that this subsection shall not apply to any such city, town or village where there is a subsisting agreement as to the assessment and taxation of such works and transmission lines."

By this amendment it became the duty of the Commission to assess the works and transmission lines in all cities, towns and villages, excepting those covered by subsisting agreements, and to notify the local authorities affected of the assessments so made.

In determining the assessed value of the works and transmission lines in the urban centres referred to, the Commission took into account the following factors:

1. The book value, or the total investment of the company in each municipality.
2. The rate charged the consumer.
3. The number of consumers.
4. The kilowatt hour consumption.

Prior to the passing of the amendment in 1931, many of the properties of the electric power companies were assessed by the local authorities and were subjected to varying standards of value and a wide and changing variety of mill rates. The assessments thus made resulted in numerous appeals to the Assessment Commission. Due to uncertainty in the minds of local assessors as to their rights under existing statutes to assess properties of this character, many of such properties were treated as exempt. Most of the poles and lines belonging to the companies were erected on streets and lanes and, if assessed at all, had been assessed as "improvements" subject to the usual two-thirds valuation. "Improvements" are defined in the various Acts as "structures in, over, under, or attached to a parcel of land assessed." As the title to streets and lanes is vested in the Crown in the right of the Province, it was claimed that the poles and lines in question could not properly be placed under the category of "improvements."

The effect of this amendment was to dispel the confusion referred to, and to establish a standard scheme of valuation, with a common mill rate, applicable to all cities, towns and villages throughout the Province.

The Act was again amended at the 1935 Session of the Legislature. The assessment of property under the amendment was delegated to the Director of Assessments appointed pursuant to The Alberta Municipal Assessment Commission Act, and the assessments so made are now subject to appeal to the Assessment Commission.

At the convention of the Union of Alberta Municipalities held in Calgary, June 26, 1935, the matter of taxation of the property of electric

power companies in towns and villages was the subject of discussion, and the following resolution was passed:

"That the Lieutenant Governor in Council be petitioned to amend The Electric Power Taxation Act to provide for the levying of the full mill rate required for municipal and school purposes."

It was then pointed out that, under the present Act, towns and villages are restricted to a taxation levy of not more than five mills in respect to the "works and transmission lines," while the ordinary levy in almost all towns and villages is from thirty-five to fifty-five mills.

Reference has already been made to the grounds upon which the Act was amended so as to provide for centralized assessment and a uniform rate to be levied in the towns and villages served by electric power companies. It should, however, be observed that the rate of five mills both for provincial and municipal purposes can at any time be raised by order of the Lieutenant Governor in Council.

Contrary to the views contained in the foregoing resolution, many tax authorities hold that quasi-public enterprises, such as is now being reviewed, whose business is provincial-wide, and whose rates are regulated by the Public Utilities Board, should be subject only to provincial taxation, out of which equitable grants to the various municipalities affected might be made.

With the views expressed in the preceding paragraph the Board finds itself in general agreement, and recommends that legislative action be taken to give effect to them. It further recommends that the question of increasing the present rate of five mills to be levied against the total properties of the companies affected receive the early consideration of the Government, or, as an alternative, that a tax based on gross revenue be substituted for the present tax.

9. THE FUEL OIL TAX ACT ✓

A tax on gasoline was first imposed by The Gasoline Vendors Tax Act, passed at the 1922 Session of the Legislature.

The tax was fixed at 2 cents per gallon and, in 1927, was increased to 3 cents per gallon, with a commission of 2½% allowed to vendors for collection.

At the 1929 Session the Act of 1922 was repealed and "An Act to provide for imposing a Tax on the Purchasers of Gasoline" enacted. In the new Act the tax was fixed at 5 cents per gallon, with a remission of 4 cents per gallon when used for any of the following purposes:

- (a) For the operation of aeroplanes or motor boats;
- (b) For the operation of stationary engines;
- (c) For the operation of portable engines and tractors when used otherwise than on a public highway;
- (d) For the operation of logging trucks when used exclusively on other than public highways;
- (e) For the operation of railway cars and other motor vehicles running only upon rails or tracks;
- (f) For the operation of municipally-owned vehicles used exclusively within the municipality;
- (g) For any industrial purpose otherwise than in the operation of motor vehicles.

In 1932 the above-mentioned Act was repealed and was replaced by "The Fuel Oil Tax Act".

In this Act, "Fuel Oil" is defined as "any petroleum product by whatever name known or sold containing any derivative of petroleum or natural gas with a gravity of .8017 or under at a temperature of 60 degrees Fahrenheit, and includes benzol or any benzol mixture."

No change was made in the rate of tax, this remaining at 5 cents per gallon, with a refund of 4 cents per gallon when used for any of the purposes above set out, with the addition of:

- (h) For the operation of domestic appliances and for lighting and heating.

At the 1933 Session the tax was increased to 6 cents per gallon, with a refund of 5 cents per gallon when used for any of the above mentioned purposes.

In 1935 the tax was increased to 7 cents per gallon, with a refund of 6 cents.

A commision of 2½% is allowed vendors for collection of the tax.

The rates in force in the various provinces at the present time are:

Prince Edward Island	8c	Manitoba	7c
New Brunswick	8c	Saskatchewan	7c
Nova Scotia	8c	Alberta	7c
Quebec	6c	British Columbia	7c
Ontario	6c		

Following is the revenue derived from this tax each year since 1922:

1922	\$185,118.53	1928-29	\$1,306,627.32	Net revenue after deduction of refunds
1923	241,247.77	1929-30	1,793,251.69	
1924	294,166.15	1930-31	1,931,602.87	
1925	311,403.67	1931-32	1,501,196.90	
1926	423,777.96	1932-33	1,510,314.31	
1927	691,311.81	1933-34	1,722,784.41	
1928 (3 months)	111,520.76	1934-35	1,943,655.58	

As already stated, under the Act of 1929 a remission of a proportion of the tax was authorized on fuel used for any of the purposes therein set out. Following are the amounts refunded since 1929:

1929-30 (9 months)	\$365,217.83
1930-31	693,446.30
1931-32	557,576.98
1932-33	490,807.43
1933-34	588,542.64
1934-35	698,605.31
	<u>\$3,394,196.49</u>

In a brief submitted to the Board by the Alberta Motor Association it was recommended, in connection with The Fuel Oil Tax, that:

1. Revenue for road maintenance and financing road construction to a reasonable extent, both for provincial and municipal purposes, ought to be raised by a fuel oil tax.
2. The Fuel Oil Tax ought to be devoted to the above purposes exclusively.
3. The Province should grant to the municipalities a reasonable share of the tax for highway purposes.

It was submitted by the association that the motor vehicle owner is bearing more than a fair share of taxation. Besides being subject to the ordinary general taxes, direct and indirect, that all have to pay, he is called upon to bear, in respect of his motor vehicle or the operation of it, a very considerable part of the provincial revenue.

The association further submitted that, if the tax is used for general purposes, all users ought to pay it and that the refund should be abolished. This would:

- (a) Produce a revenue equivalent to from \$400,000 to \$600,000 and would permit the removal of at least a cent of the present tax.
- (b) Prevent gasoline purchased nominally for tractors finding its way into motor vehicles, penalizing those who obey the law and subsidizing law-breaking and evasion.
- (c) Result in easier and cheaper administration of the Act.
- (d) Give some measure of relief to the overburdened vehicle owner.

From a careful study of the administrative features of this Act the Board recognizes the existence of three factors which result in loss of revenue to the Government and in criticism and dissatisfaction on the part of both dealers and consumers.

1. The scope of the Act, as fixed by the definition of "Fuel Oil," is too restricted. It establishes a maximum specific gravity with the object of including all petroleum products light enough to operate a motor vehicle. This gravity brings in refined gasolines, naphtha and the lighter distillates, but excludes a considerable body of heavier petroleum products, among which are kerosene, gas oil, and the heavier distillates. As most dealers handle both taxable and untaxable products it is obviously possible for them to mix products which are lighter than the maximum taxable gravity with heavier untaxable products in such proportions that the resultant mixture will fall within the taxable gravity range. Such mixtures can, and do, run motor vehicles and, in any event, for whatever purposes sold or used, are by virtue of their gravity taxable under the Act as to their total gallonage. It is therefore possible for dealers to reduce the tax obligation by accounting only for the tax on the amount of lighter fuel which went into the mixture. It cannot be noted that the existence of similar fuels, some taxable and some untaxable, provides an opportunity to dealers and consumers for profitable tax evasion.

2. The present tax rate provides a strong incentive to tax evasion. It is recognized that as the tax is increased the incentive to evasion becomes greater.

3. The third factor is unquestionably the provision in respect to refunds. Refunds of six of the seven cents paid are allowed for all fuel oil used for practically any purpose other than the operation of motor vehicles. Claims for refunds are paid on evidence of tax payments and signed statements of the claimants as to the purposes for which the fuel oil was used. The purposes which validate claims for refunds, while mainly agricultural, include industrial, domestic, and the operation of aeroplanes and motor boats. Here again the size of the tax involved operates against the exercise of scrupulous honesty in the preparation of claims. Over 25% of the tax collected is subsequently refunded, and it is impossible to estimate how much of this is legitimate. A loophole for tax evasion here exists, and it is practically impossible to obtain legal proof of improper claims after the fuel has been used.

In view of the foregoing observations, the Taxation Inquiry Board submits the following recommendations:

1. That the scope of The Fuel Oil Tax Act be extended by the widening of the definition of "Fuel Oil" at least sufficient to include all liquid petroleum products, of whatever specific gravity, that can be used, either alone or as admixtures, as fuel in internal combustion engines. A definition to include all of what are known to the trade as "white products" might meet the case, but the actual drafting of the definition is a matter requiring expert advice.

2. That refunds be entirely abolished.

3. That, subject to Nos. 1 and 2 being adopted, the present rate of seven cents be reduced to four cents per gallon.

It should be pointed out that a tax of four cents per gallon would be an increase of only one cent over the rate in effect in 1927 and 1928 when no refunds were granted.

Alternative Recommendation:

1. That the scope of The Fuel Oil Tax Act be extended by the widening of the definition of "Fuel Oil" at least sufficient to include all liquid petroleum products, of whatever specific gravity, that can be used, either alone or as admixtures, as fuel in internal combustion engines. A definition to include all of what are known to the trade as "white products" might meet the case, but the actual drafting of the definition is a matter requiring expert advice.

2. That the tax remain at seven cents, but that refunds be allowed at the rate of five cents instead of six cents per gallon.

3. That the purposes for which refunds are granted should be restricted to machinery used for agricultural purposes.

The administration of The Fuel Oil Tax Act is rendered more difficult by reason of the producing oil fields within the Province, and by widening the definition of taxable fuel oils as suggested, the Board is of the opinion that abuses will be largely eliminated.

10. THE PIPE LINE TAXATION ACT

The Act respecting the Taxation of Pipe Lines was enacted at the 1933 Session of the Legislature.

“Pipe Line” is defined as “every pipe line used or forming part of any system for the purpose of the conveyance or transmission of gas, oil, or gas and oil, and shall include the casing in any gas well, oil well, or gas and oil well, wherewith any pipe line is connected, but shall not include any machinery, plant or equipment attached thereto and used for the purpose of separating, compressing, processing or regulating the pressure of any gas, oil, or gas and oil conveyed or transmitted by a pipe line.”

Sections 3 and 4 read as follows:

“3. (1) Every person or corporation other than a municipal corporation which by means of any pipe line conveys or transmits any gas, oil, or gas and oil shall annually pay a tax to the Province upon the assessed value of the pipe line which is so used and is situated outside of any city, town or village at the rate of five mills on the dollar or at such rate as may from time to time be fixed by the Lieutenant Governor in Council;

(2) The Alberta Assessment Commission shall for the purpose of this Act value all such pipe lines at such time and on such principles as may be directed by the Lieutenant Governor in Council.”

“4. No tax for municipal district, improvement district, or school purposes shall be levied by any municipal district or school district, or in respect of any improvement district upon any pipe line assessed and taxed pursuant to this Act.”

Under an Order in Council, passed on July 15th, 1933, the Assessment Commission was directed to assess all properties liable to assessment under the provisions of the Act at the “fair actual value” as at the 1st day of January in each year.

Following are the assessments and levies for the years 1933 and 1934:

	Assessment	Levy
1933	\$4,018,300.00	\$20,091.00
1934	3,869,540.00	19,347.00

In an Act to amend and consolidate The Alberta Assessment Commission Act, passed at the 1935 Session of the Legislature, the authority to assess properties under The Pipe Line Taxation Act was transferred from the Assessment Commission to the Director of Assessment appointed pursuant to the Act, and a right of appeal to the Alberta Assessment Commission is therein provided.

It will be noted that The Pipe Line Taxation Act contemplates the assessment and taxation of a “transportation pipe line,” and that the casing of wells becomes assessable when connected with the pipe line. While there are a number of casings in an oil or gas well, the Act has been interpreted to exempt all casings except that of the inner casing known as the “producing string.” The Act excludes from assessment any “machinery, plant or equipment attached thereto and used for the purpose of separating, compressing, processing or regulating the pressure of any gas, oil, or gas and oil conveyed or transmitted by a pipe line.” These continue to be subject to assessment by the municipality in which the oil or gas well is situated.

Some confusion appears to exist in the minds of municipal and school district authorities as to their right to assess wells and that portion of the well structures not assessed under the Act in question, and owners

have protested against the number of taxes now imposed on properties of this character, in some cases the number amounting to as many as six direct imposts. The situation in this respect obviously needs further examination.

The Board is of the opinion that a clearer definition of the respective rights of the taxing authorities is desirable, and that all equipment both on and below the surface of the land used in the development of natural resources should be reserved, in so far as assessment and taxation are concerned, for provincial purposes.

11. THE RAILWAY TAXATION ACT

The Act to provide for the Taxation of Railways was enacted at the 1906 Session of the Legislature.

The rate of tax is fixed at 1% of the actual value of the railway, the Lieutenant Governor in Council having power to fix and determine the actual value. A temporary valuation of \$20,000 per mile was set by the Act, until the actual value had been so determined.

In 1907 an agreement was entered into between the Government and the Canadian Pacific Railway Company fixing the valuation of the company's lines, for assessment purposes, at \$10,000 per mile. In 1915 this valuation was confirmed for a further period of five years dating from January 1st, 1916, and again in 1921 for five years. Since January 1st, 1926, they have been assessed at \$13,500 per mile.

For the purposes of this Act the Canadian National Railway lines are valued at \$11,985.34 per mile, this being authorized by Order in Council, dated August 28th, 1908, in connection with the Canadian Northern Railway.

Under the provisions of the Act no line of railway is taxable until construction has been completed for at least seven years.

No tax is payable upon or with respect to any portion of a railway aided by a guarantee of bonds, debentures, debenture stock, or other securities under the provisions of any statute of the Province for a period of fifteen years from the date of the commencement of the operation of the portion of the railway so aided. Thereafter during the currency of the guarantee or for a period of fifteen years, whichever is the less, the amount of taxes payable hereunder upon or with respect to such portion of railway so aided shall not exceed an amount equal to thirty dollars per mile of the mileage of such portion of the railway in the Province.

In addition to the above tax, railway companies have, since 1932, been subject to The Corporations Temporary Additional Tax of 10% of the tax payable under this Act.

From 1907 to March 31, 1935, the taxes paid by railway companies under the provisions of The Railway Taxation Act amounted to \$4,805,611.07. The revenue derived from the tax every fifth year from 1907 and for the fiscal year ended March 31st, 1935, is as follows:

1907	\$121,460.00	1927	\$195,125.89
1912	79,774.71	1932-33	401,857.67
1917	110,900.00	1934-35	306,533.22
1922	188,530.00		

It should be noted that the amount of \$401,857.67 paid in the fiscal year 1932-33 included arrears. After an examination of the rates at present imposed under The Railway Taxation Act, the Board is of the opinion that no change should be made in respect thereto.

12. THE SUCCESSION DUTY ACT

From 1905 to 1914, Succession Duties were payable under an Ordinance of the North-West Territories of 1903 entitled "An Ordinance to Provide for the Payment of Succession Duties in Certain Cases."

The rate of taxation varied from 1½% to 10%, depending on the value of the estate and the relationship between the deceased and the beneficiaries.

The Ordinance did not apply as respects the payment of duty to:

"1. Any estate the value of which after the allowances authorized by this Ordinance does not exceed five thousand dollars, nor

"2. Any estate in respect of property passing by will or intestacy or otherwise to or for the use of the father, mother, brother, sister, husband, wife, child, grandchild, daughter-in-law or son-in-law of the deceased or to any person or persons adopted before the age of twelve years by the deceased as his child or children or to any person to whom deceased for not less than ten years prior to his death stood in the acknowledged relation of parent where the aggregate value of the property of the deceased does not exceed twenty-five thousand dollars."

The Ordinance applied to "the estate of any person dying after the coming into force of this Ordinance who at the time of his death was domiciled in the Territories or who being domiciled elsewhere died leaving property in the Territories."

At the 1914 Session of the Legislature the Ordinance of 1903 was repealed, and "An Act Respecting Succession Duties" passed.

This Act applied to:

"(a) The property of persons in respect of whose estate no application for letters probate, or letters of administration, or for the resealing of letters probate, or letters of administration, shall have been made before the date of its passing;

"(b) The property of persons dying on or after the date of its passing."

The Act did not apply as respects the payment of Succession Duties to:

"(1) Property passing under a will, intestacy, or otherwise to or for the use of any person or beneficiary whatsoever, where the net value of the property of the deceased does not exceed five thousand dollars; nor

"(2) Property passing in the manner aforesaid, to or for the use of a resident or residents of the Province, being the grandfather, grandmother, father, mother, husband, wife, child, son-in-law, or daughter-in-law of the deceased, where the net value of the property of the deceased does not exceed twenty-five thousand dollars."

The rate of duty varied from 1% to 16%, according to:

(a) Net value of the property of the deceased.

(b) Place of residence of person or beneficiary.

(c) Value of property taken, wherever situated.

(d) Degree of kinship or absence of kinship to the deceased.

In 1918 the Act was amended, exempting from taxation the property of a deceased soldier, in certain cases, where the net value of the property did not exceed \$25,000.00, and property devised or bequeathed for religious, charitable or educational purposes to be carried out in Alberta, and not exceeding in value the sum of \$2,000.00 for any one purpose.

The percentage of duty payable under the provisions of the Act were also amended in 1918 to provide for rates varying from one-half of one per cent. to 20%.

The rates of duty were again changed in 1922, the minimum being fixed at one-half of one per cent. and the maximum 35%.

Prior to 1927 The Succession Duty Act taxed only property of a deceased person which was actually situate in the Province. By an amendment passed at the 1927 Session of the Legislature, the Act purported to tax all personal property wherever situate of a deceased person domiciled in the Province.

The 1914 Act was repealed in 1932 and a new Act passed.

The 1932 Act did not apply to:

- (a) Property passing to or for the use of any person or beneficiary whatsoever, where the net value of the property did not exceed \$1,000.00; nor
- (b) Property passing to certain resident relatives where the net value of the property did not exceed \$15,000.00; nor
- (c) Property devised for religious, charitable or educational purposes, not exceeding in value 2,000.00 for any one purpose; nor
- (d) Property devised to the University of Alberta for educational purposes; nor
- (e) The amount of any life insurance policy, effected by a deceased person on his life, and expressly made payable to the Provincial Treasurer, for the purposes of paying duty imposed; nor
- (f) Property passing to the University under the provisions of The Ultimate Heir Act.

A greater variation in the rate of duty was made, with a minimum of one-half of one per cent. and a maximum of 36%.

In 1933 the Privy Council declared The Succession Duties Act of 1922 to be ultra vires the powers of the Provincial Legislature, and in 1934 a new Act was passed which taxes:

1. All property of a deceased person situate within the Province.
2. Personal property wherever situate passing to persons domiciled or resident within the Province from the estate of a deceased person who at the time of his death was domiciled within the Province.
3. Insurance moneys in the Province or passing to persons domiciled or resident in the Province under clause "(2)".

In this Act, "Property" includes property of every description and every estate or interest therein or income therefrom capable of being devised or bequeathed by will, or of passing on the death of the owner to his heirs or personal representatives.

No duty is payable in respect of property where the net value does not exceed \$1,000.00.

The rate of duty is based on a sliding scale from one-half of one per cent. to 36%.

In the case of property passing to or for the use of a resident of the Province, being the grandfather, grandmother, father, mother, husband, wife, child, son-in-law, or daughter-in-law of the deceased, exemption is allowed up to \$15,000.00 of the net value of the property of the deceased.

If any of the above mentioned are not residents in the Province, the exemption is \$5,000.00.

In all other cases the exemption is \$1,000.00.

Provision is also made for exemptions on property devised or bequeathed for religious, charitable or educational purposes, and to the University of Alberta.

Duties are payable within six months of the death of the deceased without interest. If not paid within six months, interest at the rate of 6% per annum is charged from the date of death.

The Lieutenant Governor in Council has power under the Act to enter into reciprocal arrangements with other governments to avoid double taxation.

The amount of succession duties collected every fifth year from 1905 to 1930 and for the last five years, is given below:

1905	\$ 1,025.00	1930-31	\$552,766.97
1910	20,260.53	1931-32	258,098.40
1915	107,880.95	1932-33	470,740.64
1920	273,179.61	1933-34	256,850.10
1925	459,659.39	1934-35	292,679.06
1929-30	897,292.80		

As the Act at present in force was enacted in 1934 as a result of the Act previously in force being declared ultra vires the powers of the Provincial Legislature, the Board has no recommendation to make in respect thereto.

✓ 13. THE SUPPLEMENTARY REVENUE ACT

This Act was passed at the 1918 Session of the Legislature. It was then regarded as a war measure designed to raise additional revenue, and was not expected to become a permanent feature in the taxation structure of the Province. The Act provided for a levy in urban units of a tax of one mill on the dollar of the assessed value of "rateable land," and in rural units of four cents an acre on "rateable land." "Rateable land" is defined as "land or any estate or interest therein liable to taxation under the provisions of a Municipal Act, exclusive of the value of buildings or other improvements upon such land."

The Tax Commission appointed under the provisions of the Act had authority to reduce the rate in rural units, but no rate to be less than 2 cents an acre.

Under this Act it became the duty of municipal authorities in villages, towns, cities and municipal districts to levy the tax, make collections of the amounts levied, and remit the same to the Department of Municipal Affairs. A commission is paid by the Government to each municipality of 5% of the amounts so collected.

In 1919 an amendment was made in respect to the rates in rural units providing that they be set annually by the Lieutenant Governor in Council at a rate on the dollar, and the Tax Commissioner was given authority to raise or lower the value of the rateable land.

In 1920 the Act was again amended, becoming effective in 1921. The Assessment Equalization Board was appointed and its duty was to determine the total equalized value of each urban and rural unit in the Province. The amendment further provided that a rate of 2 mills on the dollar of the total equalized assessed value be levied.

The rural unit was required to amend its assessment of the rateable lands, when necessary, to equal the amount set by the Board. The urban units, if the Councils thereof deemed it desirable, instead of amending the assessment, might levy a rate other than two mills, provided that the total amount of the levy on all rateable lands therein would produce an amount equal to two mills on the total equalized assessed value set by the Board.

In 1926 the rate to be levied on lands under grazing leases or permits was reduced from one cent an acre to one-half cent an acre.

In 1929 the Assessment Equalization Board was succeeded by the present Alberta Assessment Commission. The Act itself required that the levy of the Supplementary Revenue Tax be made on assessed values as they appeared on the roll. The effect of this was to make buildings and improvements, where legally assessed for local purposes, subject to this tax.

In 1931, pending further inquiry into the incidence of this tax, The Alberta Assessment Commission Act was amended so that the levy be restricted to "rateable land" as defined in The Supplementary Revenue Act. The effect of this was to exclude the value of buildings and improvements on land for the purpose of this Act.

The following figures indicate the assessment changes made in the four equalization periods—1921, 1926, 1931 and 1935:

1921 to 1925		1926 to 1930	
Cities	\$101,855,000	Cities	\$ 77,825,000
Towns	10,591,000	Towns	10,161,700
Villages	4,932,877	Villages	4,869,600
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Total Urban	\$117,378,877	Total Urban	\$ 92,856,300
Rural	608,507,658	Rural	412,348,740
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Total	\$725,886,535	Total	\$505,205,040
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1931 to 1934		1935 to 1937	
Cities	\$ 80,627,000	Cities	\$ 73,590,000
Towns	9,556,100	Towns	9,208,000
Villages	4,960,050	Villages	4,918,650
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Total Urban	\$ 95,143,150	Total Urban	\$ 87,716,650
Rural	435,794,055	Rural	379,454,417
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Total	\$530,937,205	Total	\$467,171,067

In 1921 the average assessed value of rural lands was \$15.49 per acre, and in 1931 it was reduced to \$10.30 per acre.

It will be noted that the present equalized assessment, operative for the years 1935-36-37, is \$63,766,138 less than the former equalized assessment, and that this will result in a reduction of levy each year for the Supplementary Revenue Tax of \$127,532.

It will also be noted that the total reduction since 1921 is \$258,715,468, the urban reduction being \$29,662,227 and the rural reduction \$229,053,241.

Taking the population of the Province at 731,00, the levy for the Supplementary Revenue Tax on a per capita basis amounts to \$1.27.

The following are the amounts obtained from this tax over a series of years:

1923	\$1,560,979	1929-30	\$1,019,211
1924	1,521,627	1930-31	827,525
1925	1,489,495	1931-32	824,376
1926	1,277,116	1932-33	830,502
1927	992,830	1933-34	827,128
1928-29	1,166,099	1934-35	915,099

Rural authorities on various occasions have expressed the opinion that:

1. The rural taxpayer pays this tax on an assessment basis of 80% of the value of his holding, while the urban taxpayer pays on an assessment basis of roughly 25% of the value of his holding.
2. The tax on "rateable land," with the value of buildings and improvements exempted, is discriminatory in its effect on the rural taxpayer.
3. The taxation of land for provincial purposes is an invasion of a sphere of taxation which should exclusively belong to municipalities, and that the Supplementary Revenue Tax should be abolished.
4. While the taxation of land by the Provincial Government is regarded as an invasion of the municipal field of taxation, rural authorities are prepared to acquiesce in the imposition of an equitable tax provided its revenue is used to defray the cost of services beneficial to rural communities, and that such services rendered by the Province be defined.

Urban municipalities, on the other hand, contend that this is a tax imposed by the Government on land values, and that as between classes

so different as urban and rural, the principle of a per capita tax has only a negligible application. They further contend:

1. That while rural municipalities are assessed on a basis of raw land, or an estimated value of the land in its original state, urban lands are generally assessed on an inflated basis.
2. That the value of urban lands has been substantially increased by the expenditure of borrowed money represented by debenture obligations, the present debt amounting roughly to a total of \$80,000,000. The annual payments involved have to be met out of local taxation.
3. That the combined taxes payable by urban residents far exceed those payable by rural residents.
4. That the statement made by rural authorities to the effect that the urban taxpayer only pays this tax on a basis of 25% of the total value of his holding is only true in respect to urban "residential" property, but far from correct in respect to urban "business property." The assessed value of land in the business areas of Edmonton represents about half of the total assessment in the city, and the land in this half has an assessed value of approximately 75% of the total assessed value of business property in the city.
5. That if a Government levy on municipalities is necessary to meet the cost of various social services assumed by it, such levies should be chargeable to "general revenue" rather than to a single class of resident, that of owners of land.
6. That in view of the fact that the burden of taxation on land in urban municipalities has reached a stage confiscatory in character, the Government should retire from this field and obtain its necessary revenue from sources other than land.

From the brief presented on behalf of the City of Calgary by L. W. Brockington, K.C., the following quotation indicates the general attitude of urban authorities to this tax:

"This tax is an instance of the truth of the observation that there is no such thing as a temporary tax. Its levy, originally intended for patriotic war purposes, has remained with us. The basis of the assessment is arbitrary, and is comparatively unrelated to the city's own assessment. Its continued collection is merely the addition of another burden of injustice to the already overburdened owner of city real property. If the Government accepts the responsibility already indicated (cost of certain social services, etc.) its continuance might be justified." If it does not, its abolition is indicated by the most elementary considerations of fair dealing."

From various representations made by urban authorities their general attitude to this tax may be summarized as follows:

1. That in view of the fact that this tax is now imposed solely on one class—that of the owner of land—in its incidence it is discriminatory and should be abolished.
2. That in view of the financial obligations borne by the Government in respect to the cost of social services beneficial to urban communities, a levy by the Government on the latter, but on a broader and more equitable basis, is justifiable.
3. That the various factors now required to be used in determining the equalized assessment of urban units result in much confusion and dissatisfaction among urban authorities, in loss of provincial revenue, and in administrative defects difficult to correct.

In regard to the incidence of this tax in rural units, the average assessed value of farm land in 1931—the beginning of the last triennial period—was \$10.30 per acre. On this basis the average Supplementary Revenue Tax per quarter section amounted to \$3.29. The tax is based on an estimated value of land in its original state. In reaching this value, consideration is given to various factors including quality of land, location, proximity to school and shipping point. No consideration, however, is given to any values created by labour or the expenditure of capital.

It has been suggested that the practice in Great Britain of taxing real property on the basis of its "rental value" is preferable to the

practice on this continent of imposing taxation on "capital values." While it is true that the latter practice has often little relation to the "principle of ability to pay," conditions in this country are vastly different from those in Great Britain, and exemption from taxation of non-productive lands, either urban or rural, would have the undesirable effect of encouraging land speculation, and provide opportunities for the land speculator to acquire increments of value created, not by himself, but by the diversified activities of society.

Despite the aspect now alluded to, it is felt that the time has come when, by a progressive policy, the relation between "taxation" and "productivity" should become a factor of increasing significance in the assessment and taxation structure of the Province.

Province of Saskatchewan:

This province has a Public Revenue Tax which compares with the Supplementary Revenue Tax in this Province. Its basis is an equalized assessment established every third year by the Saskatchewan Assessment Commission. The rate in 1934 was 2.03 mills on the dollar.

In rural units the assessment is based on the fair actual value of lands, exclusive of the value of buildings. In urban units the basis is fair actual value of land with 60% of the value of buildings.

The amount of the levy in the City of Regina in 1934 was \$92,243.96. Its population is 55,000, the per capita levy being \$1.67. Edmonton's per capita tax for the same year was 80c.

Included in the Public Revenue Tax is an amount which municipalities are required to contribute for T.B. Sanatoria, this levy being based on excess costs over the Government grant of \$1.00 per patient day.

The Saskatchewan Urban Association of Municipalities in June, 1934, passed the following resolution:

"That we urge upon the Provincial Government that the cities be relieved of the Public Revenue Tax."

The Convention also passed a resolution petitioning the Government to set up a Commission to make a complete survey of assessments and taxation in the Province.

Province of Manitoba:

This province has no provincial tax on real property, personal property, wild lands, educational. Its 1934 tax revenue was derived from the following sources:

Amusements	\$ 172,300
Gasoline (net)	1,770,900
Highway Traffic	931,100
Special Income Tax (Wage Tax)	1,543,400
Income (Personal)	892,000
Income (Company)	275,600
Corporations	685,700
Railways	604,300
 Total	 \$6,875,300

In 1926 Manitoba had a Supplementary Revenue Act which in that year yielded \$1,383,683, or a per capita tax of \$2.19. The Act has since been repealed. A substantial increase of revenue is now being obtained from the various income taxes.

Province of Quebec:

Provincial taxes are not imposed on real property, personal property, wild lands, educational, mines and minerals, income.

Province of Ontario:

This province imposes a tax only on land in unorganized territories. Exemptions are allowed in respect to land paying taxes under Crown Timber Act, to mining lands paying acreage tax under The Mining Tax Act and to lands held by bona fide settlers for agricultural purposes.

On lands situated in unorganized territories the rate of tax is 1% of value, on lands subject to school taxes half of 1%, a minimum tax of \$2 on small parcels, and a minimum tax of 2c per acre on tracts containing over 100 acres.

Province of British Columbia:

This province imposes taxes on real property as follows: Half of 1% of assessed value of land used for agricultural purposes; 1% of assessed value of other improved lands, and 3% of the assessed value of wild lands. An Educational Tax is imposed on land and personal property in rural districts at rates determined by local requirements. "Personal property" not in school districts is subject to a tax of 2 mills on assessed value, and "land" not situated in school districts is subject to the same rate of taxation.

"Timber areas" are subject to a tax of 1½% of assessed value. Mines and minerals are taxed 10c per ton on coal and coke; 2% on smelter returns, less cost of treatment and transportation; and 25c per acre on unworked Crown-granted mineral claims.

Recommendations:

In view of the widespread demand that municipalities be relieved of the cost of various social services, and that it be borne by the senior taxing authorities, there does not appear to be valid grounds for recommending the abolition of a tax of the character now under review. Practical experience of the operation of The Supplementary Revenue Tax Act, however, has disclosed many defects, and the following recommendations are submitted:

1. That a Public Revenue Tax Act, similar to that in force in the Province of Saskatchewan, be substituted for the present one, The Supplementary Revenue Tax Act, and a tax imposed to cover the cost of mental hospitals, sanatoria, mothers' allowance and other social services which should be regarded as a provincial and not as a municipal responsibility.
2. That the amount payable by each municipality to the Province under the proposed Act should be—
 - (a) A sum fixed by the Minister of Municipal Affairs based upon the equalized assessment of each municipality;
 - (b) The amount so determined to be paid to the Province by the municipality by way of an appropriate levy on all the taxable property within its limits, or by cash instalments from general revenue, the municipality being granted the option of electing either course.
3. That in determining the equalized assessment of each municipality the Assessment Commission, or such other body authorized, should take into consideration the total value of real property within each municipality, both urban and rural.

4. That the revenue required by the Government from this tax be so fixed as to bear a close relation to the cost of social services of which municipalities are now or may later be relieved.

The advantages to be derived from the adoption of the above recommendations include the following:

- (a) Wherever municipalities elect to pay this tax out of general revenue, the tax base would be so broadened as to cover all persons who contribute either directly or indirectly to local taxation.
- (b) The present charge of discrimination as between urban and rural contributions would no longer be valid.
- (c) The confusion of mind on the part of urban authorities as to the basis on which the present assessment is made and as to its relation to the local assessment would be dispelled, and existing dissatisfaction removed.

14. THE TIMBER AREAS TAX ACT ✓

The Act to provide for Taxation of Persons Holding or Operating Timber Areas was enacted at the 1914 Session of the Legislature.

"Timber Area" or "Timber Berth" is defined in the Act as "all land owned, leased, held under license, claimed or occupied by any person for the special purpose of cutting or removing timber therefrom, or which is held as an investment or for the accruing value of the timber growing thereon, and which is not merely held in trust for the Crown or for any body or tribe of Indians and which is not within the boundaries of an improvement or municipal district or a school district in which the school is in operation."

The tax was fixed in 1914 at 2½ cents for every acre of land comprising such timber area, with a minimum tax of \$25.00.

The Lieutenant Governor in Council has power to rebate the whole or any part of the tax upon satisfactory evidence that the whole or any part of a timber area is held exclusively for the purpose of cutting cordwood or timber for settlers' use.

The 1914 Act also contained a provision for a rebate of a portion of the tax if the proprietor of a timber area was manufacturing lumber in Alberta from timber cut on any such area. This section was repealed in 1923.

In 1916 the tax was reduced from 2½ cents per acre to 1 cent per acre, and in 1923 was increased from 1 to 3 cents per acre.

The definition of "Timber Area" was amended at the 1923 Session by striking out all the words after the word "boundaries" and substituting therefor the words "of a municipal district."

At the 1926 Session of the Legislature the tax was reduced from 3 cents per acre to 2 cents per acre, with a minimum tax of \$5.00, and this rate is in effect at the present time.

Following are the amounts collected under this Act since it came into force in 1914:

1915	\$18,414	1925	\$21,116
1916	6,679	1926	25,826
1917	11,707	1927	5,591
1918	13,789	1928 (3 months)	5
1919	8,282	1928-29	11,046
1920	4,514	1929-30	6,416
1921	3,758	1930-31	5,028
1922	8,740	1931-32	4,883
1923	7,441	1932-33	2,135
1924	10,931	1933-34	6,392
		1934-35	13,795

This tax was first imposed in 1914 at a time when the Dominion Government had control over the natural resources of the Province. In 1930 the natural resources were transferred from the Dominion to the Province, and the Provincial Government now levies a stumpage tax or royalty, which was previously imposed by the Dominion Government. As the revenue derived from the Timber Areas Tax is negligible and duplicates other sources of revenue now entirely under the control of the Province, the Board is of the opinion that the Act should be repealed.

15. THE UNEARNED INCREMENT TAX ACT

The Act respecting the Taxation of the Unearned Increment on Land was passed at the 1913 (2nd Session) of the Legislature.

The rate of tax as set out in Section 3 of the Act is 5% on the increased value of the land.

"(3.) There shall be payable upon the registration under The Land Titles Act of any transfer of land a tax of five per cent. on the increase in value at the time of registration of the said land over and above the value thereof according to the last preceding value for the purposes of this Act, excluding in all cases the cost of improvements or of development work actually made or done upon or in connection with the said land."

"(2) The cost incurred per acre in rendering any parcel of land irrigable by reason of the construction of irrigation canals, ditches or otherwise shall, to the extent that such cost is not at the time of the sale or transfer a charge against such land, be deemed to be an improvement on the land, notwithstanding that such canals, ditches or other improvements may not be located upon such parcel of land."

"(3) No tax shall be payable under this Act upon the registration of any grant from the Crown or of any transmission of land of a deceased person or upon any transfer from the executors or administrators of any such person to the devisee or devisees of such land or to the persons entitled thereto upon a distribution of the estate and any value ascertained upon the registration of any such transmission or transfer shall not be deemed to be a value ascertained for the purpose of this Act."

"(4) No tax shall be payable under this Act upon the registration of any transfer or of any instrument by which a municipality transfers to a purchaser the title to any lands vested in the said municipality by virtue of any tax enforcement proceedings taken pursuant to any Act or ordinance now or at any time in force in the Province.

"Provided always that for the purposes of this subsection, the price at which such property is sold shall be deemed to be a value ascertained for the purposes of this Act."

"(5) No tax shall be payable under this Act upon the first transfer after the twenty-fifth day of October, one thousand nine hundred and thirteen, of any unsubdivided land of which at least ten per cent. was under cultivation and which was actually and bona fide used by the transferror for agricultural purposes during twelve months immediately preceding the transaction which results in the making of the transfer, except to the extent of the excess area of land beyond six hundred and forty acres in which the transferror was beneficially interested immediately before the transaction which results in the making of the transfer and to the extent of the excess value of the land transferred beyond the sum of fifty dollars per acre without improvements; provided that no exemption from taxation shall be granted under this subsection except as to the last six hundred and forty acres retained by the transferror, and where the transferror retains less than six hundred and forty acres an exemption shall only be granted in respect of an acreage which together with the number of acres retained by the transferror would amount to six hundred and forty acres."

"(6) The value ascertained for the purpose of any transfer of land exempt from taxation under the next preceding subsection shall be deemed to be a value ascertained for the purpose of this Act."

The increase in value of land is ascertained under the provisions of Section 4:

"4. (1) For the purpose of ascertaining the increase in value of any interest in land created before the passing of this Act the last preceding value of such land shall on the first transfer thereof after the passing of this Act be deemed to be:

"(a) Fifteen dollars per acre in the case of any land not within any incorporated city, town or village on the twenty-fifth day of October, one thousand nine hundred and thirteen;

- "(b) The assessed value of any land within any incorporated city, town or village according to the last revised assessment roll for the year one thousand nine hundred and thirteen, if such land is assessed upon such roll or if not, then such value as may be made to appear to the Registrar of Land Titles to be just;
- "(c) Provided that if it is made to appear to the satisfaction of the Registrar, that the person liable to pay any tax payable hereunder has before the twenty-fifth day of October, one thousand nine hundred and thirteen, bought or agreed to buy the land in respect of which such tax is payable at a price greater than the last value as hereinbefore ascertained, the price paid or agreed to be paid upon such purchase shall be deemed to be the last value for the purposes of this subsection."

"(2) For the purpose of ascertaining the first taxable value of any interest in land created after the passing of this Act, the last value shall be taken to be the value ascertained at the date of the creation of the interest, if any or if no value was then ascertained the last value shall be taken to be zero."

Following are the amounts collected since the Act came into force in 1913:

1913	\$ 5,446.50	1925	\$ 68,429.45
1914	35,557.95	1926	75,928.60
1915	37,696.05	1927	91,409.58
1916	34,367.77	1928 (3 months)	29,010.15
1917	62,902.85	1928-29	138,083.90
1918	102,684.04	1929-30	132,800.55
1919	149,299.75	1930-31	62,131.87
1920	153,270.92	1931-32	20,100.70
1921	107,520.00	1932-33	15,571.90
1922	73,232.00	1933-34	10,471.70
1923	53,954.90	1934-35	15,920.84
1924	55,158.20		

No change has been made in the rate of the tax since 1913. Alberta is the only Province in the Dominion in which this tax is imposed.

The main point of interest in connection with this tax is that the base upon which it is levied is the assessed value of the land as established "for the year 1913." In the case of lands not having changed hands since that year, the enormous shrinkage in assessed values renders such properties exempt from any unearned increment tax. The land assessment in the City of Edmonton in 1913 amounted to \$188,539,120.00, and by 1934 it had shrunk in value to \$26,865,429.00, with the early prospect of further reductions.

The diminished revenue from this tax is due mainly to two factors: First, to an inactive property market, and second, to a marked depreciation in value of real estate, both of which are largely the result of the excessive burden of taxation which real property has been made to bear. With a relief of this burden and the gradual recovery from the effects of the present depression, a substantial increase in the revenue derived from this tax may be expected.

In view of the fact that a large percentage of the lands of the Province has changed hands since 1913, thereby creating a new basis of values upon which this tax is now levied, the Board is of the opinion that no action should be taken in respect to this Act.

16. THE WILD LANDS TAX ACT

The "Act respecting the Taxation of Wild Lands" was enacted in 1914. The imposition of this tax is stated to be: "For the purpose of adding to or supplementing the revenues of the Crown a tax at the rate of 1% of the assessed value of all lands within the Province not exempt from taxation under this Act."

The main section governing the exemption of land from the levy of this tax is contained in Subsections (16), (17) and (18), Section 3, and at the time of enactment read as follows:

"Subsection (16): All enclosed land which has been used for the purpose of pasturing horses, cattle or sheep which are the property of the owner of the land, and upon which horses or cattle to the number of at least one, or sheep to the number of at least three, for every ten acres so enclosed, have been pasturing for six months during the previous year; provided the Minister of Municipal Affairs may by written order modify the requirements of this subsection for any given year or years and for any section or sections of the Province."

"Subsection (17): Land owned by a bona fide farmer who is actually residing on some portion of same; provided that the exemption under this clause shall not exceed 640 acres in the aggregate; such exemption, however, may cover parcels of land which are not contiguous but which are situated within a radius of nine miles from the home of the owner."

Subsection (18): The land of any owner where each section or portion thereof has had one-fourth of its area under cultivation or crop during the previous year; provided that where the owner has several portions of land within a radius of nine miles and in the same assessment district the area under cultivation or crop may be on any portion."

Until the year 1921 assessments for the purpose of this Act were made by officials of the Department of Municipal Affairs, and in that year lands became assessable throughout the Province for municipal purposes, and the assessed value established for that purpose became the assessed value for the levying of this tax.

Since the Act came into force in 1915, modifications have been made through ministerial regulations. In 1922 the use of land for grazing purposes by stock of a bona fide lessee made exemption from this tax possible; and later the number of stock required to secure exemption was modified in certain areas—particularly drouth areas—instead of one head for every 10 acres, it was changed in varying areas to one head for every 40 acres.

A study of the various assessment rolls of municipal districts and improvement districts reveals a gradual decrease in the amount of annual levy, and that the greater portion is imposed on lands in two areas: First, the "grazing areas" which include the semi-arid territory; and second, the "brush and wooded land" lying along the western part of the Province.

REPORT ON TAXATION

Levy and Collections 1923 to 1934

Year	Levy	Collections
1923	\$521,173	\$546,593
1924	530,888	469,531
1925	561,903	509,393
1926	335,669	369,740
1927	319,618	305,692
1928	271,798	294,985
1929	242,654	236,487
1930	212,887	156,281
1931	166,272	120,353
1932	152,412	109,945
1933	144,932	86,587
1934-35		44,894

In recent years considerable objection has been taken to the inequitable nature of this levy, particularly by owners of large areas of land for which there exists little if any demand, and by loan companies and mortgage associations who have become possessed through foreclosure proceedings of a large number of parcels of land.

In a brief submitted to the Tax Inquiry Board by the managing director of one of the corporations owning large areas of brush land, the following observations are made:

"It is presumed that the Act was based on the principle that socially-created wealth should contribute its quota to the welfare of the State."

"Accepting this principle as sound, it is admitted that at the time the Act was passed, and possibly for a few years subsequent to its enactment, the then existing settlement and development did enhance the value of alternate sections of unoccupied lands already alienated from the Crown."

"In 1934 and for several years past, such lands have become a serious liability. The heavy demands of municipal, school and provincial taxation on unoccupied lands are threatening the stability of land settlement companies holding large acreage of unsold land, and proportionately hard on owners of moderate acreage."

"Post war economic conditions, with world disturbance beyond local or company control, have had the following effect:

1. To render farming unprofitable and an occupation unattractive.
2. To stop immigration into Canada of people desirous of going on to the land.
3. To stop land sales until normal conditions return.
4. The burden of taxes has compelled owners to sacrifice large acreage to the municipalities under tax recovery proceedings.
5. To make collections of payments due under land contracts exceedingly difficult.
6. To endanger the forfeiture of large areas of land still held by private owners, and thereby substantially reduce municipal revenues.

By an amendment to the Act passed in the 1934 Session of the Legislature, the owners of land subject to the Wild Lands Tax were granted the right of appeal to the Alberta Assessment Commission, and appeals affecting the assessment of thousands of parcels of land have already been lodged. In view of the fact that the Commission has interpreted the words in the Act "capable of being used for grazing or cultivation" to mean "capable of being economically used," it is anticipated that this restrictive interpretation will result in a substantial diminution of the acreage subject to assessment, and that a corresponding reduction in provincial revenue will follow.

In a brief submitted to the Board by the Hudson's Bay Company the following observations are made:

"Whatever justification there may have been for the Wild Lands Tax in the first instance, the reasons for its existence have long since disappeared. Land

is no longer held at speculative prices. Owners have made every effort at great expense to dispose of their lands or to lease them, largely without result because under present conditions the lands are mainly unsaleable."

"While the primary reason for the Wild Lands Tax may have been to discourage speculation, in the past few years its imposition has been the important factor in leading to the abandonment of lands and consequent loss of much greater revenue to schools and municipalities than has been realized by the Government."

"An extremely important factor in the levying of taxes is 'ability to pay': the ability to pay should be inherent in the property that is taxed, and not in the owner of the taxed property. It is obvious that the type of land which bears the Wild Lands Tax is less able to produce revenue to pay taxes than any other class of lands in Alberta. The tax is economically unsound, and on this account should be condemned."

Recommendations:

Having regard to all the facts, the Board has reached the following conclusions:

1. That the aims of the Legislature, when this Act was passed in 1914, have virtually been accomplished.
2. That the continuation of this impost constitutes a penalty on private ownership of unoccupied lands.
3. That in view of the fact that the revenue has decreased from \$546,593 in 1923 to \$44,894 for the year ended March 31, 1935, and that as a result of appeals further reductions are expected, the residue of the lands subject to this tax can only be regarded as salvage.
4. That the present burden of municipal and school taxes, together with the Supplementary Tax and the Wild Lands Tax, is resulting in the abandonment of lands to the municipality, and that the burden of the latter tax is primarily the cause.
5. That the principles upon which agricultural lands in the Province are at present assessed tend to place a heavier burden of taxation on inferior lands than on those possessing a higher productive capacity.
6. That where abandonment of lands is due to provincial taxation, a grave injustice is inflicted on the municipalities and school districts in which such lands are located, and revenues badly needed by them are consequently lost.
7. That further abandonment of these lands would be substantially averted by the abolition of this tax.

17. PRINCIPLES OF LOCAL TAXATION

Among the numerous briefs submitted to the Board, a unanimity of opinion was expressed as to the need of a clearer recognition of the underlying principles applicable to local taxation. It was widely felt that a more exact definition of the respective fields of Federal, Provincial and municipal taxation should be made.

The charge was frequently made that the Dominion Government had, chiefly since the war, invaded the field of direct taxation which the Provinces had come to regard as exclusively their own. This charge related mainly to the imposition of The Dominion Income Tax. While it is true that the Dominion Government possesses the power to raise money "by any mode or system of taxation," the B.N.A. Act strictly limits the powers of the Provinces to those forms of imposts generally described as "direct taxation."

It was also charged that the Provincial Government had invaded the field of municipal taxation, mainly by the imposition of a provincial income tax, resulting in the abandonment by some of the cities of a liquid source of revenue known as the "Service Tax," and also by the Supplementary Revenue Tax, Motor Licenses and Gasoline Tax.

The theory was also advanced, not without valid grounds, that municipal governments functioned largely as delegates, and that provincial legislatures in Western Canada had been too liberal in the delegation of duties to municipal authorities, and far too reluctant to provide adequate sources of revenue for their support. This complaint had reference mainly to the cost of educational services, health services, old age pensions, mothers' allowances and the obligations of unemployment relief.

It was also contended that the establishment of three taxing authorities in Canada was not primarily designed to accentuate the principle of "local autonomy," but rather to ensure administrative efficiency in all matters involving the taxation of the people.

The situation in respect to the cost of education borne at present by municipalities cannot be ignored. The view that a national service such as education should depend to a great extent on the financial exigencies of local municipalities is rapidly being dissipated by the harsh logic of events, and a more enlightened application of the principle of national responsibility for a service so national in character has become urgent.

The restriction of local taxation for the support of education to land only serves to accentuate the need of a changed basis by which all who benefit would be obliged to contribute to the cost, and among the beneficiaries neither the Dominion nor the Province should repudiate its proper share.

In a memorandum submitted by Mr. McKee, Superintendent of Edmonton Public Schools, the following statement is made:

"According to our Constitution, education is a provincial responsibility. The Department of Education creates its School Act, determines courses of study, says what text books are to be used, certifies teachers, and inspects the work done. The main duty devolving upon the local school board is to provide the money. On account of its constitutional responsibility, and its preponderating influence in determining the service, the Provincial Government is under obligation to share to a much greater extent in the financing of the operations of the schools."

In respect to the cost of Unemployment Relief the situation is sufficiently grave to call for comment. This problem is mainly evident in the cities of the Province. In order to finance the heavy obligations involved, the City of Edmonton has found it necessary, during the last few years, to capitalize costs to the extent of roughly \$1,000,000. This is in addition to large cash contributions raised by current taxation. This capitalization has become a charge against real property in the city for the ensuing ten years, and it is anticipated that present and future costs will require to be dealt with in the same way. The effect of this additional debt against land, with over 90% of the cost of education charged in like manner, is not only discriminatory as to the classes composing the population of the city, but is destructive of the value of real estate upon which nearly 80% of the total revenue of the city depends.

The following statements by taxation authorities are worthy of note:

"Land values may be destroyed by taxation, and, other things being equal, every change in taxation results in a proportional change in land values."—Prof. T. Ely.

"The increasing taxation on 'capital value' is certainly a most effective method of cheapening land, and of obtaining its nationalization or municipalization by the 'gentle art of theft'."—Prof. A. B. Clarke.

In the Western Municipal News, October, 1933, Professor A. B. Clarke, University of Manitoba, makes the following statements:

"Just as the Dominion Government has encroached on the taxation field of the Province, so the Province in turn, under financial pressure, has invaded the municipal revenue field."

"The services our municipal governments perform are either (1) specifically local or (2) general services. The specific services are those which confer upon local taxpayers as a whole, a direct and peculiar benefit more or less commensurate with the burden they entail. The rapid rise in municipal tax rates has been chiefly due to the steady increase in the number and expensiveness of the general or national services performed by our municipalities, such as education, police protection, care of public health, and relief of unemployed. The revenue required for such general services must be raised by taxes onerous to the taxpayer, and the appropriate basis for such is that of 'ability to pay'."

"It is true that the provinces, while deprived of the customs and excise duties enjoyed by the Pre-Confederation Colonies, have some compensation in the Dominion subsidy. But in 1868—the first year after Confederation—the subsidies of the four original provinces amounted to 23% of the revenue derived from custom and excise duties; whereas now the subsidies of all the nine provinces amount to only 6% of the revenue from customs and excise."

Among the representations made by the City of Vancouver to the Harper Commission are the following:

"The services which our municipal governments are called upon to perform may be classified into two distinct classes, namely, 'specific or local' and 'general or national'. Services in the first class have a close relation to real property, and the taxation of real property is logical and equitable. Services in the second class are not necessarily identified with real property, and should be supported from the widest possible source of taxation, being taxation other than on realty alone."

"Taxation of real property has gone beyond the point which realty can bear, to such an extent that the point of confiscation has been reached."

"That the services payable from the taxation of real property should pertain to protection incident to the ownership of real property."

"Services of a more general nature, such as education and social services should be financed from the widest source of taxation possible."

Among the recommendations contained in the Harper Report are the following:

"That real property should assume the burden of beneficial taxes. The community as a whole should bear the burden of onerous taxes."

"That social services should not be a charge upon the land."

"That unemployment relief is not a burden which the land should carry."

"That Mothers' Pensions should be a wholly Provincial obligation."

Among the recommendations contained in the Bradshaw Report, July 21, 1934, respecting matters of taxation in the City of Winnipeg, are the following:

"Increase in education grants to city schools by 50%."

"Payment to City of Winnipeg of 25% of taxes collected by Provincial Government which originate in Winnipeg, viz., income, liquor, gasoline, auto, railway and amusement taxes."

"Elimination of levy on city for Old Age Pensions."

It will be seen from the foregoing quotations that the problem of the equitable distribution of the cost of social services is not confined to Alberta, but is causing the gravest concern among taxing authorities throughout Western Canada.

It is evident that in the matter now under review there exists two main schools of thought. One is represented by a demand for a substantial increase of Provincial contributions to municipalities by way of a share in the revenues of the Province derived from income tax, amusement tax, motor licenses and liquor profits.

The other school is represented by a growing demand that the cost of social services such as education, health and unemployment relief be assumed by the superior taxing governments, and that a measure of central supervision and control of local administration be established.

It will be noticed, however, that in so far as the issues raised relate to the existing obligations of the cities in the Province, and to the taxation structure now in force, there is a common and an insistent demand for a change by which the burden of the cost of social services can be relieved, and by which the scope of municipal taxation can be broadened.

18. MUNICIPAL ASSESSMENT OF REAL PROPERTY

In order to get a sound assessment for taxation purposes two requisites are necessary. The first is that all taxable property be tabulated, and the second that a correct valuation be made. To secure the first is not a difficult task, but to secure the second requires capable assessors accustomed to apply well established principles in the valuation of real property.

RURAL ASSESSMENTS:

In Alberta the assessment of farm lands is made on the basis of what the assessor conceives the "fair actual value" would be in their "raw" state. While in the early stages of farming, this rule may have roughly served its purpose, it is doubtful if its continuance can much longer be justified. In old and settled communities, where records are rarely available, assessments made on this basis have often been found to be far from reliable.

It should also be noted that on this basis, taxation tends to place an inequitable burden on the owners of vacant land and on the small homesteader, and correspondingly to relieve the owners of land brought to a more productive stage of development.

All rural assessments are made triennially, and are subject to supervision by the Alberta Assessment Commission. The equalized assessment fixed by this body not only becomes the assessment for the Supplementary Revenue Tax, but also for municipal levies. The efforts of the supervisory body are designed to bring about greater uniformity, both as to methods and principles of assessment in rural municipalities.

In Manitoba and Saskatchewan farm lands are assessed on the basis of "present actual value," exemption being allowed only in respect to the value of buildings. Assessments made on this basis bear a closer relation to "productive value" than those made on the basis now operating in Alberta.

URBAN ASSESSMENTS:

In Alberta the assessment of real property in urban units is entirely left to local assessors, with no supervision by a central authority. The methods and principles used may be, and often are, different in important details from those adopted in another area. While it is true that the law requires assessments to be based on the principle of "fair actual value," in practice interpretation of that elusive phrase by individual assessors leads to confusion and dissatisfaction among large bodies of taxpayers.

In regard to the assessed values placed on urban lands, as distinct from the assessment of buildings, the disastrous influence of the single tax continues to be felt, and inflation for purposes of assessment for taxation is still evident, particularly in the larger cities. Little if any attempt is being made, as between cities of a similar type, like Calgary and Edmonton, to use uniform principles in the assessment of lands, and the problems connected with different classes of land, such as residential lots, acreage, wholesale, retail and industrial sites, are left to the exclusive judgment of the local assessor.

Due to the absence of centralized supervision and common methods of valuation, defects are also evident in respect to the assessment in urban units of buildings and improvements. In the case of Edmonton, no depreciation in buildings was allowed from 1924 to 1933, and a similar condition existed in Calgary until 1935, when a new assessment of buildings was made. In the new assessment made in Edmonton in 1933, principles of depreciation and obsolescence were applied; but they have no common acceptance among other cities in the Province.

It has been pointed out that while the local assessment in rural units corresponds with the equalized assessment used for the purpose of the Supplementary Revenue Tax, in "urban units no such condition exists." On this account the Assessment Commission is required to use a series of factors in addition to land values, and figures are thus reached which do not correspond to the local assessment. While in rural units a uniform rate of 2 mills is applied, in urban units rates varying from 1½ to 6 mills are found necessary.

It is common knowledge that appeals from the local assessment of real property in the cities of the Province have become so numerous as to cause the greatest concern among civic authorities. Co-operation between assessors of different municipalities, and the supervision of assessments throughout the Province by a central organization, would materially assist in remedying existing defects. It should be observed, however, that the defects referred to are by no means peculiar to the Province of Alberta, but the fact needs to be stressed that other provinces are taking appropriate steps to correct them.

The effect of the policy of assessing land at inflated figures, and "improvements" at only a percentage of value, has been disastrous, particularly to owners of vacant land, and indeed to the cities themselves. More than half of the total lots in the City of Edmonton, roughly 56,000, have been forfeited to the city on account of non-payment of taxes. As the greater proportion of these forfeited lands are non-revenue producing, the surviving taxpayer has to bear the brunt of this loss.

In another chapter it is pointed out that in 1934 the assessed value of property reverted to the City of Edmonton stood at \$8,897,380.00, that the number of residences in arrears at the end of 1933 was 4,537, and that 2,314 were subject to the tax caveat.

It must therefore be clear that unless something is done by way of improved assessment practice and by a substantial reduction of the tax burden, the process of forfeiture will continue with increasing momentum until the bulk of the vacant lands now owned by individuals, together with a large number of improved properties, will have passed into the ownership of the city.

Assessment of Improvements:

Generally speaking, the assessment of improvements in the cities has been arrived at by the process of applying a rate to the ascertained cubic contents of buildings, with varied rates of depreciation in respect to the number of years that have elapsed since their erection. In this connection the main point of importance is that of the basic rate applied to the cubic contents. Its correctness depends on whether it has been established as the result of careful comparison with actual costs as determined by reference to bills of quantities and the prevailing rates of wages.

It must be noted, however, that the cubic feet method of reaching values may be misleading unless other factors are also used in determining "fair actual value." One important factor is that of "obsolescence," and another is that of "income" derivable from the property. "Fair actual value" can only be reached after consideration has been given to every element that affects value. The common practice of arriving at value by the process of replacement costs, less depreciation, may, and often does, result in an assessment far in excess of fair actual value. Where "market value" is practically non-existent, as it is at present, the importance of assessors adopting a reliable formula for the purpose of establishing real value of improvements cannot be over-emphasized.

In a recent "Guide to Assessors," issued by the Manitoba Tax Commission, attention is directed to a factor as yet hardly recognized in Alberta, and the following paragraph is quoted:

"The Tax Commission directs that the amount of taxes levied on land shall be considered as a factor in determining values. For example, all other factors governing value being equal on two quarter sections, but one quarter being subject to a drainage tax of \$20, it would require, if interest is allowed at 5% per annum, a sum of \$400 invested to pay this extra tax, so that if the full value of the other quarter is \$3,200, then the value of this quarter subject to the drainage tax is \$3,200 less \$400, or \$2,800 for assessment purposes."

While it is generally recognized that the taxation of real property on the basis of "capital value" will likely continue for some time to be the major source of municipal revenue, the trend throughout the North American continent is definitely in the direction of reaching assessed values by reference to "income-bearing capacity" rather than by the common practice of replacement value less depreciation.

The following paragraphs are taken from a recent address by Sir Raymond Unwin, noted British authority on assessment and taxation:

"In my country we think of property in terms of income. It is only on a small scale that we ever think of capital appreciation. As a consequence, in the worst of the industrial slump we had no slump in real estate, and our private commercial builders built more houses last year than they have ever built in any other year."

"Our English system tends to limit land values by the income that can be derived from the land, and it consequently tends to effect a balance in the economic situation in this way. When interest rates are high, we take a shorter type purchase, say 21 years. When interest rates are low, we take a longer purchase price, say 27 to 30 years. So the capital value of real estate rises in times of slump."

"In valuating property in England," states another authority, "the Board of Surveyors assess every three years what the property may be expected to rent for. In case property is not rented for a certain period, the owner at once applies for exoneration from the tax and receives it. If the property is rented in the middle of the year, the owner pays one-half a year's tax. This principle is carried in London so far that where they have a seven-storey building with one owner, the owner may apply for a separate rating on each floor, and if three floors are idle and four rented he is exonerated from the three floors' tax and pays the tax on the four floors."

The Taxation Inquiry Board is conscious of the difficulties confronting municipalities in any attempt to bring about a more equitable system of assessment and taxation. With the present level of opinion and practice a model system cannot be elaborated in a few months. It is obvious that changes must of necessity take the form of gradual re-

construction of existing laws, and one of the first practical steps to be taken in the assessment of real property is to relate its capital value more definitely to its income-bearing capacity.

The Board therefore submits for consideration the following conclusions:

1. That uniformity in the principles of assessment and taxation is a pre-requisite to equitable taxation.
2. That in the assessment of "improvements" in all urban centres a uniform percentage of total value should be adopted.
3. That in reaching the "fair actual value" of real property, its income-bearing capacity should be regarded by assessors as a major factor.
4. That with the object of ensuring the general application of the principles and methods referred to, powers of centralized supervision should be delegated to the Provincial Assessment Commission.

With the general adoption of the suggestions now submitted, the Board believes that they would result in the removal of many of the defects common today in assessment practice, and in the establishment of a sounder system of assessment and taxation throughout the Province.

19. CITY OF EDMONTON ASSESSMENT AND TAXATION

The City of Edmonton derives its annual revenue from the following sources: (1) Land Taxes based on assessment of Real Property including land and buildings; (2) Business Taxes based on an assessment of the rental values of premises occupied; (3) Service Taxes (abandoned in 1932); (4) Licenses; (5) Profits from Utilities; (6) Departmental Revenue; (7) Provincial Grants; (8) Miscellaneous.

Property Assessment:

The City Charter directs that land should be assessed at its "fair actual value," and buildings at from 50% to 100% of value, the rate in force in 1933 having been 60% of the value of business premises and 54% of the value of dwellings, and in 1934, 60% of the former and 50% of the value of the latter.

The Charter also provides that the assessments can be carried forward from year to year, and this course was followed from 1924 to 1933 inclusive. A new assessment of both land and buildings was made in 1932 and put into force in 1934.

The city is divided into two zones: (1) An inner or urban zone; (2) an outer or suburban zone, the tax rate on the latter being limited by order of the Public Utilities Commission to 20 mills.

By the application of the principles of the single tax, the city for many years confined its assessment of real property to land only, buildings and improvements being exempt, and in 1914 the assessment reached the enormous figure of \$191,283,970. By the year 1917, when the assessment had been reduced to \$100,917,090, it was found that this method of taxation failed to meet the financial needs of the city, and in 1918 a partial assessment of buildings was adopted.

The following figures indicate the division of assessment as between land and buildings for the years stated.

	1931	1932	1933	1934
Land Assessment	\$35,650,690	\$34,691,225	\$33,939,015	\$26,865,420
Building "	30,245,795	30,808,170	31,192,565	28,825,805

It will be noted that the 1934 land assessment is less than the previous year by over \$7,000,000, and the building assessment less by over \$2,000,000. It is also significant and commentable that, for the first time in the history of the city, its assessment of buildings is in excess of its land assessment.

In this connection statistics relating to the burden of the Property Tax in American cities of over 30,000 population issued by the Institute for Economic Research, Northwestern University, Chicago, are worthy of note. The following is quoted:

"In 1928 General Property Tax yielded 64% of total revenue receipts. Real Property constituted 83% of the basis on which the property tax was laid, and produced 53% of the total revenue receipts. Special assessments and special charges falling principally on real estate produced an additional 8% of the total. Buildings bear approximately 34% of total revenue from real estate, and land 19%."

The fact that in the years prior to 1934 the land assessment in the City of Edmonton exceeded by substantial amounts the assessment of buildings is primarily traceable to two factors. The first is that of the continued influence of the Single Tax principle which resulted in highly inflated assessment of land with corresponding excessive taxation. The second factor is the obvious reluctance on the part of city authorities to assess buildings in excess of from 50% to 60% of their actual value.

The following is a schedule of assessments, levies, municipal and school rates from 1904 with intervals to 1934—a period of 30 years.

Year	Assessment	Levies	Municipal mills	School mills	Total mills
1904	\$ 3,959,648	\$ 75,698	10.50	6.50	17.00
1910	30,105,110	563,494	12.80	4.20	17.00
1914	191,283,970	3,769,970	13.22	4.28	17.50
1918	92,404,590	3,655,371	21.20	8.80	30.00
1922	62,928,880	3,366,180	20.85	18.85	39.70
1926	58,827,450	3,474,013	23.35	21.00	44.35
1930	65,687,080	4,074,539	24.70	22.80	47.50
1931	66,751,570	4,281,072	26.94	22.56	49.50
1932	66,099,395	4,423,989	29.20	22.80	52.00
1933	65,756,720	4,136,032	27.40	22.60	50.00
1934	56,414,645	4,394,469	38.78	25.25	64.00

It will be noticed that while the assessment for 1934 is less than that of the previous year by \$9,342,075, the levy for 1934 exceeds that of 1933 by \$258,437.

Financial authorities regard "current tax collections" as an excellent indicator of the ability of citizens to pay, and the following table shows the relation in the City of Edmonton of "current collections" to the "respective levies":

Year	Current	Current plus arrears	Year	Current	Current plus arrears
1916	49%		1926	86%	106.16%
1917	55%		1927	87.06%	107.32%
1918	54.5%		1928	88.25%	115.47%
1919	69.36%		1929	87.96%	110.49%
1920	70%		1930	84.89%	98.76%
1921	70.7%		1931	80.82%	95.36%
1922	80%	102.67%	1932	76.64%	91.18%
1923	80%	104.19%	1933	74.21%	90.57%
1924	82.63%	105.24%	1934	72.22%	90.02%
1925	85.01%	104.44%			

In a statement submitted to the Tax Inquiry Board by Commissioner David Mitchell, the above matter was referred to in the following terms:

1. "That for a number of years municipal tax collections have declined, while the burden of taxation on real property, particularly on account of social services and unemployment, has increased and even become confiscatory."
2. "That the situation throughout the Dominion as to the accumulation of tax arrears and forfeitures demonstrates, if nothing else, the inequitable burden of taxation on real property."

The amount of tax arrears in Edmonton outstanding as at Dec. 31st, 1933, was \$2,130,970 as compared with \$1,754,321 in 1932—an increase of \$376,648 within the year.

The total amount of arrears and penalties against lands forfeited to the city, as at December 31, 1933, was \$5,191,242 which combined with \$2,130,970 above referred to, makes a total of \$7,322,212 still outstanding. Against this is a reserve for non-collection amounting to \$1,146,514, the net being \$6,175,698.

CITY OF EDMONTON

Financial Statistics for the year 1934

Population, 79,773.	Population 5 years ago, 74,298.
Area of Municipality, 27,200 acres.	
Assessed Value for Taxation	\$56,475,850

Made up as follows:

Land Assessment	\$26,896,165
Building Assessment	28,829,685
Franchise	750,000
	<u>\$56,475,850</u>

Exemptions not included in above	\$13,308,050
Total Accumulated Tax Arrears at end of 1934	6,651,783
Amount of Tax Levy	4,409,733
Amount of Tax Levy Uncollected	1,225,215
Tax Rate 1934: General 8.72, Deb. 30.03, Schools 25.25, Total 64 mills.	
Total Debenture Debt	30,942,718
Total Sinking Fund (as divided below)	9,763,508

Analysis of Debt and Sinking Fund:

	Debentures Outstanding	Sinking Fund on hand
Public Utilities	\$ 656,483	\$ 150,501
Electric Light	785,084	238,731
Power Plant	856,068	200,656
Street Railway	1,022,080	323,746
Telephone	3,266,288	953,852
	<u>\$ 6,586,005</u>	<u>\$ 1,867,489</u>

Local Improvements:

Ratepayers' Share	2,800,204	1,083,492
General Debentures	21,556,507	6,812,527
	<u>\$30,942,718</u>	<u>\$ 9,763,508</u>

Amount of Debentures, such as Schools, not included in above	\$ 3,310,971
Total other Liabilities, including floating debts	4,002,009

Public Utilities: Results for year 1934:

Net profit after deducting Depreciation, Operation Expenses and Interest and Sinking Fund Debt:

Electric Light	\$ 220,397
Power Plant	333,999
Street Railway	23,776
Telephone	185,050
Water Works	113,679
	<u>\$ 876,904</u>

Gross Funded Debt (City), 1934	\$30,942,718
Deduct Revenue-producing Debt	9,386,210

Less Sinking Fund on General Debt	\$21,556,508
	6,812,527
NET City Funded General Debt	<u>\$14,743,980</u>

REPORT ON TAXATION

GENERAL REVENUE AND EXPENDITURE STATEMENT
Year ended December 31, 1934

REVENUE

Municipal Revenue from Taxation	\$ 4,409,733
Profits from Public Utilities	876,904
Departmental Revenue	259,494
Miscellaneous Revenue	50,888
 1934 Revenue from all sources	 <u>\$ 5,597,019</u>

Revenue derived from Real Property, 69.917% of total.
 Revenue derived from other taxes, 6.018% of total.
 Revenue derived from Utilities, 17.191% of total.
 Revenue derived from other sources, 6.874% of total.

EXPENDITURE

	Cost	%
Administration	\$ 154,330	3.087
Protection Persons and Property	470,543	9.410
Education	1,405,365	28.106
Health and Sanitation	160,334	3.206
Social Services, Welfare	373,012	7.460
Public Works	110,250	2.205
Parks and Recreation	69,037	1.381
Interest and Exchange	10,677	.213
L. I. Taxes	132,007	2.640
Direct Relief	211,103	4.222
Debenture interest and Redemption	1,683,156	33.661
Unclassified	220,437	4.409
 Total	 <u>\$5,000,251</u>	 100%

It will be noted that of the above total expenditure the City's Debt Charges and the cost of Education required the sum of \$3,088,521.

SUMMARY OF COST OF SOCIAL SERVICES AND UNEMPLOYMENT RELIEF

1934	Cost	% of Expenditure
Direct Relief	\$211,103.25	4.222
Children's Aid	21,096.80	.422
Civic Relief	84,439.89	1.639
Grants	37,102.90	.742
Royal Alexandra Hospital	98,423.18	1.968
Mental Defectives	5,433.80	.109
T. B. Patients	17,728.49	.355
Old Age Pensions	18,452.66	.369
Mothers' Allowance	40,334.70	.807
 Totals	 <u>\$534,115.67</u>	 10.633

The Service Tax:

In 1921 the right enjoyed by cities to impose an income tax was withdrawn by the Provincial Government, but power was granted them to impose a "Service Tax." Single persons with incomes of over \$1,000 a year and married persons with incomes of over \$1,500 a year became liable for this tax. A maximum tax of \$250 was levied on incomes exceeding \$5,000. In the case of property owners, this tax was set off against the land tax, the greater of the two only being paid.

In 1932 the Provincial Income Tax came into force, resulting in the abandonment by the cities of the Service Tax. On account of the loss of revenue of approximately \$60,000 a year by each of the cities of Calgary and Edmonton, the Government agreed to reimburse each by way of a grant of \$60,000 for the year 1932 and 1933, reducing it in 1934 to \$45,000.

The following figures indicate the rates in force in 1934 in respect to the Provincial Income Tax, and the rates which were payable under the now abandoned Service Tax:

Income	Provincial Income Tax		City Service Tax	
	Single	Married	Single	Married
\$ 850	\$ 1.00			
1,000	2.50		\$ 8.50	
1,250	5.00		12.00	
1,500	7.50		16.00	\$ 10.00
1,750	10.00	\$ 2.50	20.00	13.50
2,000	12.50	5.00	30.00	17.00
2,500	17.50	10.00	52.50	27.50
3,000	25.00	15.00	80.50	42.50
3,500	35.00	20.00	110.50	60.00
4,000	47.50	30.00	137.50	82.50
4,500	62.50	40.00	175.00	115.00
5,000	80.00	55.00	250.00	165.00

The above rates apply to persons having no dependents.

Government Grants, 1934:

The following are the Provincial Government Grants to the City for the year 1934:

Public Schools	\$ 91,000.00
Separate Schools	12,219.33
Public Library	700.00
Royal Alexandra and Isolation Hospitals	54,224.50
Exhibition Association	7,994.82
In Lieu of Service Tax	45,000.00
 Total.....	 \$211,138.65

Tax Arrears and Tax Sale Lands:

The amount of arrears outstanding as at December 31, 1934, was \$2,533,118.65 as compared with \$2,130,970.00 in 1933, an increase of \$402,148.65 within the year. As a result of the operation of the 1933 caveat, \$261,470.91 was transferred from the tax rolls to Tax Sale Lands' Account, and due to non-collection of 1934 taxes, the sum of \$1,225,215.68 was added, together with \$178,872.64 representing penalties on unpaid taxes.

The total amount of arrears and penalties against lands forfeited to the City, as at December 31, 1934, was \$5,404,622.57 which, combined with the amount of \$2,533,118.65 above referred to, makes a total of \$7,937,741.22 still outstanding. Against this, however, is a reserve for non-collection of \$1,285,957.94, leaving a net figure of \$6,651,783.28.

The following information respecting the matter under review has been obtained from officials of the City:

The area of the Municipality of Edmonton covers 27,200 acres, more than one-half of which has been forfeited to the City for non-payment of taxes. The acreage forfeited consists of 56,057 parcels of land out of a total of 100,000. The following table indicates the extent to which land has been forfeited during the years 1930 to 1934 inclusive:

Year	Parcels	Assessed Value	Cost to City (Tax Arrears)
1930	921	\$ 224,130	\$ 75,859
1931	973	183,790	68,140
1932	896	327,705	150,967
1933	1,499	380,115	110,855
1934	1,699	585,840	211,889
Totals	5,958	\$1,700,780	\$617,712

In 1934 the assessment roll of the city totalled \$56,479,350, and the assessed value of property which had reverted to the city, paying no taxes, and forcing property owners to "carry," stood at \$8,897,380.

The following table shows how the assessed value of tax forfeited property compares with the assessment roll in each of the years indicated.

Year	Assessment Roll	Assessment Forfeited Property
1930	\$65,687,070	\$10,284,570
1931	66,496,480	10,348,150
1932	66,099,390	10,651,000
1933	65,756,720	11,051,350
1934	56,479,350	8,897,380

In 1934 the assessment on city owned property sharply declined because of the general reduction in civic assessment.

The alarming condition of the city's taxation structure, as disclosed by the figures relating to forfeited lands, is further accentuated by a statement issued from the City Assessor's office. The information is in respect to home property.

Number of Residences as per 1934 Assessment Roll	15,876
Number of Residences in arrears of taxes to end of 1933	4,537
Number of Residences subject to Tax Caveat	2,314

From the figures presented as to growing tax arrears, and the number of home properties subject to caveat, it must be obvious that unless appropriate measures are taken this process of confiscation of real property is bound to continue.

It should be noted that while in the early years a large proportion of forfeited lands in the city was owned to a great extent by non-residents, and was held for speculation, in recent years an increasing number of parcels consist of improved properties, sites with utilities available purchased by residents for the purpose of erecting homes, and others in the heart of the city bought for the specific purpose of business development.

The problem of urban municipal taxation, as indicated in this brief review of conditions in the City of Edmonton, cannot be divorced from the problem of taxation throughout the Province, and its solution hinges on a general rather than local readjustment.

It is clear that the financial difficulties now confronting the city have been greatly aggravated by the obligations relating to unemployment relief and other social services of a character that cannot properly be regarded as local.

Financial embarrassment has also been caused by the large percentage of the cost of education falling on owners of real property, and no equitable revision of the tax burden can be attained without a fuller recognition by the three taxing authorities of the principles:

1. That the taxation of real property for the support of objects other than those "beneficial" to it, results in discrimination as between the various classes of people in the community.
2. That such social services of a local character provided by the community, and beneficial to it, should receive its financial support, not from one type of wealth only, but from the general revenues of the community.
3. That such social services as are either of a provincial or national character should be supported by funds derived from "general" rather than "local" taxation.

20. CITY OF CALGARY

ASSESSMENT AND TAXATION

The City of Calgary derives its annual revenue from the following sources: (1) Land Taxes; (2) Business Taxes; (3) Licenses; (4) Profits from Utilities; (5) Departmental Revenue; (6) Provincial Grants; (7) Miscellaneous.

Real Property Assessment and Taxation:

For many years the Single Tax principle was adopted by this city, but was abandoned in 1918 by a change of policy resulting in the inclusion in the assessment of a percentage of the value of buildings. In 1914 the land assessment had reached the inflated figures of approximately \$180,000,000. By periodical reductions the land assessment in 1933 had reached the sum of \$26,118,095, and in 1934 it was further reduced to \$25,161,455. The following figures indicate the assessment of both land and buildings for the years mentioned:

	1933	1934	Increase	Decrease
Land	\$26,118,095	\$25,161,455	.....	\$ 956,640
Buildings	34,719,520	34,552,135	.....	167,385
Franchise	1,739,481	1,743,352	\$3,871	.....
Total Assessment	<u>\$62,577,096</u>	<u>\$61,456,942</u>	<u>.....</u>	<u>\$1,120,154</u>

Despite the substantial reductions in the land assessment, it is the opinion of competent authorities that an element of inflation in land values still exists, and that the values set for assessment purposes are in excess of the "fair actual value."

That the influence of the Single Tax idea still prevails to some extent is to be seen in the fact that in this city the assessment of buildings, both as to dwellings and business properties, has been restricted to 50% of the estimated value, and for comparative purposes it may be pointed out that in the City of Edmonton the assessment of business properties is based on 60% of the total value.

A more accurate picture of the relation between the value of land and the value of buildings can be seen by placing the full 100% on the value of buildings, and the following figures are worthy of note:

Land values	\$25,161,455
100% building values	69,104,237
Total Value	<u>\$94,265,692</u>

The relation which the assessed value of the land bears to the full value of the buildings added to the land is roughly 25% of the total, and indicates that the policy of progressive reduction of land assessments adopted some years ago by the city is one wholly to be commended.

The following figures show the total assessment for the years stated and the respective mill rates imposed:

Year	Assessment	General Rate	School Rate	Total
1930	\$64,180,287	21.68	24.32	46
1931	66,102,934	23.47	23.53	47
1932	66,848,462	29.22	22.78	52
1933	62,577,096	30.77	19.23	50
1934	61,522,972	29.39	20.61	50

The following figures show the amount of tax levies and the amount of levies uncollected for the years stated:

Year	Levy	Uncollected
1930	\$3,888,916	\$ 573,822
1931	4,089,696	722,982
1932	4,409,064	1,041,276
1933	3,894,175	1,025,153
1934	3,781,501	990,090

The following table shows the taxes collected for the years 1930 to 1934 inclusive:

Year	Current Levy Percentage	Total Collections including arrears	
		1930	Percentage of Current Levy
1930	85.78	94.96	
1931	82.97	95.24	
1932	77.10	90.02	
1933	73.64	93.55	
1934	73.73	94.53	
Amount derived from Business Tax:			
1930	\$350,696.07	1933	\$271,017.80
1931	340,873.65	1934	262,189.80
1932	306,279.68		
Amount devired from Service Tax:			
1928	\$55,548.96	1930	66,800.30
1929	58,760.27	1931	62,491.20
Government Grant in Lieu of Service Tax:			
1932	\$60,000.00	1934	45,000.00
1933	60,000.00		
License Receipts for years 1930 to 1934:			
1930	\$75,414.07	1933	62,087.49
1931	65,634.71	1934	64,923.81
1932	59,986.08		

GENERAL REVENUE AND EXPENDITURE STATEMENT

For the Year ended December 31, 1934

REVENUE

Municipal Revenue from Taxation	\$3,824,607.74
Public Utilities Taxation and Rentals	202,739.86
Government Grant (re Service Tax)	45,000.00
Miscellaneous Revenue	190,453.29
Surplus brought forward from 1933	103,442.99
	<hr/>
	\$4,366,243.88

Revenue derived from land taxation, approximately 90% of total.
Revenue derived from other sources, approximately 10% of total.

EXPENDITURE

Education	\$1,266,363.00
Fire and Police Departments	388,433.71
Debenture Charges, Sinking Fund, etc	987,198.55
Interest and Exchange	119,361.49
Civic Relief (including \$250,000 capitalized)	694,066.80
Public Charities	118,240.19
Public Works	162,967.09
Health and Hospitals	106,696.26
Street Lighting	62,300.00
Parks	51,449.02
Local Improvement Taxes	85,998.10
Administration and Miscellaneous	235,677.49
	<hr/>
	\$4,279,251.70

ANALYSIS OF DEBT AND SINKING FUND, AS AT DECEMBER 31, 1934

Total Debenture Debt (as divided below)	\$23,767,456.80
Total Sinking Fund (as divided below)	10,549,221.29
Amount of Sinking Fund in Arrears	461,642.00

Public Utilities	Debentures Outstanding	Sinking Fund Reserve	Sinking Fund on Hand
Waterworks	\$ 5,174,931.46	\$2,091,537.02	\$2,091,537.02
Electric Light and Power	3,037,871.54	1,888,800.43	1,888,800.43
Street Railway	2,835,794.55	1,670,479.86	1,670,479.86
Hospitals	295,095.36	105,054.07	105,054.07
Totals	\$11,343,692.91	\$5,755,871.38	\$5,755,871.38

LOCAL IMPROVEMENT:

Ratepayers' Share	\$ 3,098,801.92	\$ 1,757,695.54	
Municipality's Share	1,496,118.42	616,099.72	
	\$ 4,594,920.34	\$ 2,373,795.26	\$ 4,793,349.91
General	7,828,843.55	2,881,196.65	
Sub-total	\$12,423,763.89	\$ 5,254,991.91	
Totals	\$23,767,456.80	\$11,010,863.29	\$10,549,221.29

Amount of Debentures, Schools, Drainage, Telephones, Hospitals, etc., not included in above for which Municipality levied taxes—(these may be jointly shared by other Municipalities)

—Schools, Net	\$ 2,683,366.68
Total other Liabilities, including Floating Debt	2,804,827.28

SOCIAL SERVICES:

	1930	1932	1934
Children's Aid	\$ 14,584.26	\$ 14,287.57	\$ 11,802.09
Civic Relief	96,042.01	469,947.03	694,066.80
Public Charities:			
Holy Cross Hospital	8,814.00	8,254.00	10,692.00
General Hospital Indigent	5,000.00	25,000.00	25,000.00
Convalescent Home	3,142.53	3,500.00	3,500.00
Macleod Hospital	3,931.74	2,624.25	1,174.15
Keith Sanitarium	12,793.00	21,842.50	17,628.32
Lacombe Home	749.28	791.50	854.16
Mothers' Allowance	30,607.00	29,721.45	29,496.75
Red Deer Home	4,852.00	5,401.84	4,802.50
Amputation Association	1,200.00	1,200.00	1,000.00
Gleichen Home, Men	1,599.58	1,944.53	1,485.59
Victoria Order of Nurses	1,500.00	1,500.00	1,500.00
Salvation Army Maternity Home	750.00	750.00	750.00
Old Age Pensions	7,198.59	11,854.40	16,821.76
Ponoka Hospital	81.00	180.00	920.05
Blind Residents and Guides		300.00	300.00
Eventide Home, Women		742.60	772.50
Health Clinic	3,894.95	3,903.75	3,761.16
Calgary Home and School Federation, Clothing			800.00
	\$206,739.94	\$603,745.42	\$827,127.83

TAX ARREARS AND TAX SALE LANDS:

The following information is extracted from the 1934 Financial Statement of the City of Calgary:

Total accumulated Tax Arrears at Dec. 31, 1934	\$1,564,186.13
Amount of Tax Sale Lands and Tax Certificates held at December 31, 1934	3,814,050.55

The City Assessor has also supplied the following data in respect to parcels of land subject to caveat:

	Caveats Filed	In Sale		Caveats Filed	In Sale
1928	1,094	528	1932	1,719	360
1929	771	426	1933	2,365	567
1930	1,127	350	1934	3,004	1,047
1931	1,561	221			

The situation in the City of Calgary in respect to this matter is similar, although not so acute, to that existing in the City of Edmonton, and the observations of the Board in another chapter of this report are applicable alike to both. It must be obvious that action, particularly along two lines, has become imperative. By the adoption of appropriate measures, the forfeiture of property must be checked and a policy adopted aiming at the rapid return to the tax roll of the city of all tax sale lands. This is one of the available means by which a broadening of the basis of municipal taxation can be effected.

An examination of the financial structure of Calgary cannot but lead to the following conclusions:

1. That as a result of its total revenue being derived from the taxation of real property to the extent of more than 90%, this solitary base is not only shrinking through the process of forfeiture but is steadily becoming less productive.
2. That the burden of costs in connection with unemployment relief and education now borne by real property is far in excess of that which it is able to bear.
3. That the restrictive character of the city's taxation structure, in which is denied the right of taxing intangible property, amply justifies its claim to be relieved of a substantial proportion of the costs involved in the social services which it is now obliged by law to provide.

21. TAX EXEMPTIONS OF REAL PROPERTY

An analysis of the variety of properties particularly in the cities of Edmonton and Calgary now exempt from taxation, reveals a situation that invites the gravest consideration on the part of the three taxing authorities. Particulars of these exemptions are stated below.

CITY OF EDMONTON, 1933:

Owner	Land	Building	Total
Federal Government	\$ 596,380	\$ 1,575,900	\$ 2,172,280
Provincial Government	655,140	2,468,920	3,124,060
Churches	325,120	769,000	1,094,120
Colleges, Hospitals, etc.	1,198,565	4,743,520	5,942,085
Public Schools	530,700	2,229,360	2,760,060
Separate Schools	123,330	231,700	355,030
Cemeteries	93,620	60,000	153,620
City of Edmonton	1,942,640	1,118,630	3,061,270
Totals	\$5,465,495	\$13,197,030	\$18,662,525

Tax Exemption for Churches:

Anglican	\$ 38,280	\$ 105,600	\$ 143,880
Baptist	46,220	67,200	113,420
Presbyterian	20,900	105,000	125,900
Roman Catholic	49,330	153,600	202,930
United	105,470	219,700	325,170
All others	65,500	117,900	183,400

It will be noticed that the exemptions of \$18,662,525 amounts roughly to one-third of the 1934 total assessment of \$56,414,645.

In the brief submitted on behalf of the city by Mr. Garside the following statement is made:

"That the question of exemptions of property from taxation, whether Provincial or local, be considered from the view point of certain classes of exemption being improper, (a) because adequate provision, especially in education, is provided by municipal governments, and (b) as to area of land exempted, both in regard to church and school accommodation. Exemptions from taxation constitutes a bonus, and to the extent of the exemption must be absorbed by the public at large."

In the 1921 Report on Assessment and Taxation by the late Commissioner C. J. Yorath, the following comment on exemptions is made:

"It has been customary to exempt from taxation church property and that of schools, colleges and other organizations assumed to be doing a public service. The only ground for absolute exemption from taxation is "absolute public service." In the case of Provincial and Federal Government property, it would appear to be only reasonable that it should pay taxation to the municipality in which it is located, in order that the burden can be more evenly distributed over the Province and the Dominion respectively."

Among Mr. Yorath's recommendations are the following:

- (1) That application be made to the Provincial Government for power to assess Provincial property within the city.
- (2) That the law be amended which will give the city power to assess University property for taxation so that the taxes on this institution shall be borne by the whole of the Province and not the City of Edmonton alone.
- (3) That application be made to the Provincial Government to amend the City Charter excluding all properties of churches, institutions, colleges and hospitals, from the list of properties exempt from taxation.

During the discussion following the submission of the City of Edmonton brief, reference was made to the exemptions enjoyed by the Provincial Government in respect to the business enterprises of the government carried on in the city, and to the prevailing sense of injustice that existed as a result thereof.

Attention was also called to the fact that in Great Britain exemption from taxation of property was extremely rare. Churches are not exempt, and even the seat of Government at Westminster is subject to assessment and taxation.

Exemption of Public Utilities:

As at December 31, 1933, the debentures outstanding in respect to the City's Public Utilities amounted to \$6,943,777.21, and the Sinking Fund on hand at the same date was \$2,003,666.19. The original capital indebtedness was \$13,000,000. After the deduction of depreciation, operating expenses, interest and Sinking Fund, a profit of \$750,363 was turned over to the city for the relief of taxation.

While no serious objection can be taken to the practice of the city in excluding its public utilities from its assessment structure, it is clear that in terms of mill rates the relative cost of education to the total levy would be more obvious to the general public by their inclusion, and a better criterion of the actual assets of the city available for taxation purposes would be established. It would also have the effect of broadening the basis of taxation and, in certain circumstances, result in reduced mill rates.

In the case of exempted properties which at present make no contribution to the revenue of the city, their inclusion in the city's assessment structure would result in the further broadening of the basis, and in a proportionate reduction in the mill rate.

CITY OF CALGARY:

Summary of Exemptions, 1934			
Owner	Land	Buildings 100%	Total
C.P.R.	\$ 768,675	\$ 5,194,500	\$ 5,963,175
C.N.R.		211,425	211,425
Dominion Government	192,076	3,107,480	3,299,556
Provincial Government	255,055	1,778,263	2,033,318
Public Schools	460,805	3,627,414	4,088,219
Separate Schools	68,420	425,650	494,070
Other Schools	24,820	98,900	123,720
Churches	328,768	1,493,279	1,822,047
Salvation Army and Holy Cross Hospitals and King Homes	48,160	600,650	648,810
Y.M.C.A. and Y.W.C.A.	28,650	126,000	154,650
Canadian Legion		68,000	68,000
Part exemptions on Industries		2,552,160	2,552,160
Sundries	5,025	10,350	15,375
	\$2,180,454	\$19,294,071	\$21,474,525

CITY OF LETHBRIDGE:

The assessed value of exempted property in this city amounts roughly to \$4,000,000, and in his brief Mayor Barrowman makes the following statements:

"That compulsory service of fire, police, street lighting, and health protection is rendered to the Provincial Government by the city for all Government buildings, all of which are exempt from city taxation and licenses, including

such government revenue producing business as liquor stores, telephone offices and Court House."

An examination of the data in respect to exemptions now under review cannot but lead to the conclusion that, in relation to the total assessment of real property in the cities mentioned, the exemptions are out of proportions to the total assessment, and the Board recommends that steps be taken to bring about a reduction.

22. BUSINESS TAX

CITIES

In the City of Edmonton the Business Tax was first imposed in 1918, and is based on the rental value of the premises assessed. The tax is graded from 6% to 25% of the rental value, and is classified as follows:

Factories and workshops	6%
Retail Stores, Real Estate Agents, Insurance Agents, etc.	10%
Wholesale Merchants, Doctors, Lawyers, Trust Companies, etc.	15%
Banks, Railway and Express Companies	25%

The revenue derived by the city from this tax in 1933 was \$276,238.19. In the same year Calgary's revenue from this tax amounted to \$271,017.80.

In all the cities in the Province a Business Tax is in force and is based on rental value. The rates in respect to the various cities are as follows:

Calgary	8%
Edmonton	6% to 25%
Drumheller	8%
Lethbridge	10%
Medicine Hat	10%
Red Deer	4½% to 15¾%
Wetaskiwin	10% to 25%

In a brief submitted to the Board by Mr. R. R. Nichol on behalf of the Canadian National Railways, its Express and Telegraph organizations, covering the question of the Business Tax in Alberta cities, objection is taken to the "unjust discrimination in the levying of a tax at varying percentages of levy in respect to different classes of business."

The brief contains, among others, the following statements:

"There is no justification for assessing a railway roundhouse, workshops and repair shops at 25% when a rate of 6% is effective covering manufacturers' workshops, repair shops, etc., when operated by persons other than a railway."

"When an assessment has been determined, whether for land, buildings or business, a uniform rate of taxation should apply, and there is nothing to justify a discriminatory varying rate of taxation."

"The cities of Calgary, Drumheller, Lethbridge and Medicine Hat apply a uniform rate of taxation."

"A reference to the statutes of other provinces would indicate that a uniform rate of taxation in respect to business assessment is general in Ontario."

"The Business Tax in Saskatchewan is based on the general municipal rate of levy applied to land and buildings."

"A uniform rate of levy in respect to the Business Tax is also applied in the Province of Manitoba."

"There is no justification for a tax rate other than a uniform rate and not exceeding the general municipal rate of levy."

"As an illustration of the fact that this tax has no relation to business being done, in Edmonton the main passenger and freight terminal (old Canadian Northern Yards) is more than ample to take care of all the business traffic of Edmonton. On the other hand, the Company maintains the North Yards (Calder, G.T.P.) for freight traffic, which has no relation to business done in Edmonton, but the Company is called upon to pay business tax covering all land occupied, all sorting tracks and all the buildings located thereon in the sum of \$6,625 (1934 taxes)."

"It is just as reasonable to have one City Act for use in all cities as to have the Town Act applicable to all towns in the Province."

It was pointed out to the Board that the premises subject to the rate of 25% of rental value are usually located where land assessments are high, and where values are inflated for assessment purposes, and the following figures in respect to the assessment and taxation of a bank premises in Edmonton were submitted:

Land assessment, 50'×150' at \$2,700 per ft. frontage	\$135,000
Building assessment, 60% of value	175,000
 Total	 \$310,000
 1934 rate of taxation at 64 mills	 \$ 19,840
Assessed rental value—\$13,500, tax 25%	3,375
 Total Taxes (excluding L.I. tax)	 \$ 23,215

It will be noticed that the total taxes paid by this bank in respect to the premises referred to amount to a sum little short of 8% of its assessed value.

The imposition of a Business Tax was no doubt primarily designed to obtain for the city a share of the profits derived from various business enterprises carried on within the limits of the city. It is doubtful, however, if the tax so imposed bears much, if any, relation to the profits earned. It has to be recognized that in many instances the incidence of this tax is such that it cannot be passed on, but is borne directly by the party subject to this impost.

While a business tax, equitably imposed, bears a closer relation to the principle of "ability to pay" than taxation based on "capital values," the Board questions the soundness of the principle expressed in varying rates of taxation applied to different classes of business, and is of the opinion that a more uniform system of taxation in respect to the business tax in the cities of the Province is desirable.

23. URBAN RENTAL TAX

Among the various suggestions made to the Board in regard to the problem of relieving the burden of taxation on real property, and of securing a broader basis of taxation to meet the financial demands resulting from municipal obligations of costly social services, a Rental Tax on urban homes has been proposed as one of several methods by which that object can be attained.

In each of the cities in the Province a Business Tax, based on rental values, with varying rates, and payable by the occupier, whether owner or renter, has been in force for many years. In only one city, however, that of Medicine Hat, is there imposed a Rental Tax both on business properties and residential properties. In the latter city the tax is imposed on occupiers of homes, and is paid both by owners and renters alike. The tax was first imposed in 1920, and after 14 years' experience has been found to be productive and equitable. The tax is payable monthly, in the same manner as utility accounts, and is payable only when the property remains occupied. The rate imposed is 10% of the rental value.

The following is a copy of the City of Medicine Hat By-Law No. 579, providing for collection of Rental Tax:

1. "There shall be and there is hereby assessed, levied or charged against each householder in the City, a sum of ten per centum per annum of the actual rental value of the premises occupied by such householder, which assessment, levy or charge shall be payable in monthly instalments at the time or times and in the same manner as accounts due to the City for gas, water or electric light service.
 - (a) 'Householder' shall mean the occupant of any dwelling house or part thereof whether as owner or tenant, and shall include a person occupying a room or rooms for residential purposes in any apartment or business block.
 - (b) Any such assessment, levy or charge shall be collected by action or constraint, and during the period of default in payment the City Treasurer may disconnect or discontinue the water, gas or electricity services to the premises of the person in default.
2. The rental assessment may be made in a separate roll or at a different time from the general assessment roll of the City. The rental assessment roll may be returned or reported upon by the assessor at a different time from the general assessment. For the purpose of this clause the two assessments may be treated as separate and distinct. Notice of appeal shall be given within ten days from the date of the notice of assessment. In all other respects the inspection of the rental tax-roll, the procedure for and at appeals and for the preparation of a tax roll based thereon shall be the same as by law are provided for the general assessment.
3. The first payment of the rental tax shall become due and owing at the expiration of thirty days from the final passing of this by-law."

The following is quoted from the recent Report of Mr. Thomas Bradshaw on the City of Winnipeg Tax System:

"It has been shown that while in theory, taxes on business and rented residential property are supposed to be capable of being passed on by the property owners to other sections of the community, nevertheless this is not the case in actual practice, especially in times of business depression."

Among Mr. Bradshaw's recommendations to the City of Winnipeg is the following:

Tax on rents of rented homes and apartments:

"As previously stated, it by no means follows that the owner of rented premises is able to pass the tax on to the tenants, and to that extent the

tenant is escaping his proper share of taxation. Again, the tax in respect of apartment blocks constitutes a very small tax when divided up on a suite unit basis, being little more than half what each family would pay if occupying a house. No statistics are available of the total annual rental of rented houses and apartments, but it might be assumed that there are:

9,000 suites average rental of \$400 or	\$3,600,000
8,000 houses average rental of \$300 or	2,400,000
Total, per annum	<u>\$6,000,000</u>

"A 10% tax would yield about \$600,000. The details of assessment and collection of such a tax would require to be worked out very carefully, in order to avoid evasion or excessive administration costs. At the hearings it was urged that such a tax be imposed, in as much as the City does not exact a personal income tax and that those occupying apartments and rented houses do not contribute directly in any form whatever to the general revenues of the city, notwithstanding that they enjoy all the services, police and fire protection, parks, educational facilities, etc."

In a brief submitted to the Board by Mr. W. S. Campbell, of Edmonton, the following statements are made:

"Each year the number of taxpayers (in Edmonton) are decreasing, until today there are not more than 18,000."

"The objective to aim at is one in which taxation will be distributed equitably, in which lands and homes will find their way back into the hands of the taxpayer, and in which encouragement will be given to build homes, thereby increasing employment and purchasing power."

"It is fair to say that there is at least one employed non-taxpayer (in Edmonton) for every one who is a taxpayer."

"It has been argued that the tenant pays taxes in the form of rent, but I think that on analysis it will be found that there are not 5% of the rented homes where the revenue will pay taxes, insurance, depreciation, and at the same time pay 3% on the owner's investment."

While it should be noted that Mr. Bradshaw's recommendation of a rental tax does not contemplate the taxation of rental values of homes occupied by owners, the broader application of the principle by the City of Medicine Hat appears to be warranted, and is one method by which a broadening of the basis of taxation can be effected.

The following data in respect to the cities of Calgary and Edmonton may assist in forming a judgment on the question at issue:

EDMONTON AND CALGARY DATA IN RESPECT TO RENTAL TAX

1934.

No. of Houses:	Edmonton	Calgary
Brick and Veneer	931	1,089
Stone	22	61
Wood	14,115	13,308
Stucco	882	1,717
Cement Bricks	26	66
	<u>15,976</u>	<u>16,241</u>

Type of Dwelling Units:

Apartments and Flats	2,915	3,237
Row or Terrace	62	152
Single Houses	14,950	15,061
Semi-detached	409	291
	<u>18,336</u>	<u>18,741</u>

If it is assumed that 17,000 dwelling units yield an average rental of \$25.00 per month, or \$300.00 per year, the gross rental value would amount to \$5,100,000.

This chapter is submitted primarily for information as any such tax is purely a matter of municipal government policy.

24. CITY SCHOOL FINANCE

The gravity of the situation in respect to the cost of education in the cities of the Province has been emphasized in the brief presented to the Board by the School Boards of Calgary and Edmonton, and in the briefs submitted by the cities of Lethbridge and Medicine Hat.

Statements from official reports showing the revenue and expenditure of the School Boards of Calgary and Edmonton covering several years are appended hereto, and these will enable the reader to see at a glance the problems to which attention is so urgently directed.

Extracts from briefs:

CALGARY PUBLIC SCHOOL BOARD:

"Whereas under our constitution and our prevailing system of government, education is a Provincial responsibility, and

Whereas the Provincial Government pays a relatively small percentage of the cost of elementary and secondary education, and has not increased its grants commensurately with the increased educational costs of recent years, and

Whereas under existing Provincial laws apparently only one chief source of revenue is available to the individual urban districts for the support of schools, namely, a tax on real property, and

Whereas it has been found that in other countries, other sources of revenue have been set aside for educational purposes with very good results, and

Whereas the Provincial Government has wider tax bases than the local municipalities, and

Whereas we believe that the cost of education of non-resident pupils should be a direct Provincial responsibility to be arranged between the Province and the Municipalities from which the non-resident pupils come, and

Whereas we believe that since the Provincial Government assumes the responsibility for the training and certification of teachers, the authorization of text books, and the general organization and conduct of the schools of the Province as laid down in The Provincial School Act, this Government should provide a definite and adequate minimum amount for the financial support of our schools, it being assumed that the said Government will undertake to raise the necessary funds for this purpose."

Resolution of Calgary Public School Board:

1. "That a new financial set-up for the maintenance of Public and High Schools in the Province be established by the Provincial Government, including special financial provision for the increased enrolment in our High Schools due to present industrial and economic conditions."
2. "That the cost of the instruction of non-resident pupils be made a direct Provincial responsibility."
3. "That in the revision of our present system of taxation for school purposes a larger measure of financial responsibility be assumed by the Province, and that a large portion of the burden of taxation at present placed on real property be transferred to other sources of revenue."
4. "That we strongly urge upon the Provincial Government the necessity of setting aside for school purposes a substantial portion of the revenues derived from the mine, petroleum and other natural resources of the Province, as well as a definite percentage of the revenues received from such taxes as a luxury tax, an amusement tax, an income tax, and an inheritance tax, and that from such funds substantially increased grants be made to local school districts throughout the Province so that our schools may be placed upon a more secure foundation in regard to the services that they are called upon to provide."

EDMONTON PUBLIC SCHOOL BOARD:

"The financing of education is in a most precarious state."

"With the reversion of land to the City the School Board's tax base is narrowing. Our educational services as at present constituted is being crippled."

"The situation as it stands now is that each of the three taxing authorities is hard put to meet its financial obligations, and is engaged in a scrimmage in which each is grabbing at every imaginable device for raising revenue. To end such an orgy, and, as a first step towards a sensible and logical tax structure, it would appear that these three taxing authorities should get together and determine upon 'spheres of responsibility' and 'spheres of taxation.' Until this is done, the scramble will continue, and the 'incidence of taxation' will continue unjust."

"The Federal Government has no constitutional responsibility in respect to education. It indirectly has responsibility in connection with the advancement of technical training, and has already established the precedent of making grants to the Provincial Departments of Education in aid of technical education. The Federal Government ceased making these grants some three years ago. They should be restored and distributed in such a way as to diminish the burden on the taxpayers of the municipality providing technical education."

The brief from which the above statements are extracted contains the following suggestions:

1. "That the Province assume the entire responsibility for the operating and financing of schools, or
2. That the Province appoint all teachers and assume responsibility for the payment of their salaries in accordance with a Province-wide schedule, the local municipality to be responsible for the balance of operation costs, or
3. That the Province share on a 50-50 basis in financing the cost of secondary education, or
4. That as long as the present method of levying school taxes prevails, the municipality must continue to be responsible to the School Board for 100% of its levy."

CITY OF LETHBRIDGE:

"Public education consumes on an average 40% of the total taxation revenue."

"While the Provincial and Dominion Governments have a great variety of taxes, which can be distributed over a large class of people, the cities are compelled to furnish the most costly and important services at the expense of the property owners, until tax delinquency has almost become the rule rather than the exception."

In this brief the following resolution adopted by the Union of Canadian Municipalities, July 20, 1934, is quoted and endorsed:

"Whereas the point has now been reached where the very existence of municipalities has been imperilled by failure to recognize and apply an equitable, stabilized and permanent basis of relationship between Provincial Governments and municipalities, both as to duties, services and revenues."

"Be it resolved that the Union of Canadian Municipalities take immediate action to secure the co-operation and support of the Municipalities throughout Canada towards the enactment of national legislation for establishing wider powers of taxation for municipalities to relieve the burden on real property, and for an equitable and stabilized basis for the distribution of the responsibilities of social or national services between the Provincial Governments and Municipalities, and the allocation of an equitable proportion of provincial and national revenues towards the cost of such services."

CITY OF MEDICINE HAT:

"Both Dominion and Provincial Governments have enacted legislation especially in the sphere of social services making it obligatory on the municipalities to contribute a large proportion of the monies expended thereon, but the senior governments have carefully refrained from allowing the municipalities any new avenues of taxation to provide for increased expenditures."

"The responsibility for these social services which by Acts of the Legislature are forced on the municipalities is essentially a Provincial one, and in some cases extends to the Dominion authorities."

"The whole burden of taxation (except for trifling grants) for educational purposes is laid upon land in every municipality and yet it cannot be denied that education is, or should be, a national and not a local obligation."

"If every child is entitled to the benefits of education, then education should be available to all, and should not be dependent upon the raising of local funds."

While a detailed examination of the cost of education and the problems associated with it are beyond the scope of the present inquiry, it is clear that the "incidence of taxation" is involved, and that legislative action designed to remedy the defects of the present system will soon become imperative. The Taxation Inquiry Board, however, deems it necessary to make the following comments:

1. In the representations made there is an impressive unanimity of view respecting the following matters:
 - (a) That the burden of educational costs in the cities of the Province has become so serious as to cause the gravest concern.
 - (b) That the raising of the necessary revenue "solely" by the taxation of "real property" is discriminatory as between classes composing the community, and that the burden so placed cannot now be justified.
 - (c) That the duty imposed by law upon the city to pay 100% of the demand of the School Board, whether it is collected or not, has a crippling effect on the finances of the city, and that the power now vested in School Boards to requisition large sums of money from the city, irrespective of the latter's capacity to collect taxes, should be restricted.
 - (d) That the Provincial Government is primarily responsible for education, and that its delegation of the financial burden to the Municipality to the extent of over 90% is an inequitable division of that burden.
 - (e) That the Provincial Government, possessing as it does far wider powers of taxation than those enjoyed by the municipalities, should assume a much greater share of the cost of education.
 - (f) That due to the increasing cost of various social services which real property is now compelled to bear, land is being forfeited to the cities to an alarming extent, and the physical structure upon which the cities depend so largely for their revenue is steadily shrinking both as to area and revenue-producing capacity.
 - (g) That the Federal Government should contribute substantially to the cost of technical education.
2. That while the principle of "local autonomy" in respect to educational administration and costs has had in the past a wide acceptance throughout Canada, and while it has become an established practice to impose the burden of cost almost exclusively upon real property, the advanced type of education now provided, particularly in the large urban centres, has resulted in the burden becoming too heavy for real property alone to bear.
3. That as education is a social service of the first magnitude the resources of the local municipality as a whole should be made available so that the financial basis upon which this service rests for support may be broadened and strengthened.
4. That while in the past real property had come to be regarded as a reliable criterion of the wealth of a community, industrial development in various forms has resulted in real property becom-

ing only one form of wealth. The type of wealth usually described as "intangible," and represented largely by documents, is a steadily increasing factor not only in the economic life of a community, but in the life of the nation as a whole. It cannot be denied that this type of wealth has so far escaped its fair quota to the cost of education.

5. That among educational authorities the trend of thought is distinctly in favour of greater centralization in respect both to administration and finance.
6. That the equitable distribution of the cost of education as between the three taxing authorities, Dominion, Provincial and Municipal, cannot be fully attained until an agreement as to their respective fields of taxation and their respective obligations in regard to social services has been reached.

REPORT ON TAXATION

EDMONTON PUBLIC SCHOOL BOARD No. 7
Comparative Statement of Revenue and Expenditure for Years 1929 to 1934 inclusive

Item	REVENUE				1934
	1929	1930	1931	1932	
City Levy	\$1,258,000.00	\$1,322,000.00	\$1,326,247.00	\$1,317,500.00	\$1,290,000.00
Government Grants	78,591.47	89,200.00	91,400.00	91,500.00	91,000.00
Non-resident fees	15,238.51	16,354.44	18,123.23	16,383.82	14,616.42
Sundries	9,645.90	10,122.94	3,988.58	2,939.46	2,950.10
Deficit	3,360.25	.....	.....	.....	2,225.94
Net Revenue Surplus .....	.....	.....	22,000.00	10,000.00	.....
Sinking Fund Surplus .....	.....	.....	10,000.00	.....	.....
Salary Contributions to Unemployment Relief	66,233.29	87,080.41
	\$1,364,836.13	\$1,437,917.38	\$1,471,758.81	\$1,513,303.57	\$1,512,156.93
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	EXPENDITURE				\$ 922,656.22
	Teachers	Caretaking	Administration	Medical Department	
Teachers	\$ 778,025.76	\$ 836,648.97	\$ 872,915.32	\$ 925,127.93	\$ 941,353.93
Caretaking	69,500.55	69,579.61	71,073.24	72,280.73	72,147.50
Administration	34,590.80	32,106.79	38,197.17	37,131.01	42,835.17
Medical Department	24,309.91	25,884.96	27,477.56	27,855.30	31,927.59
Financial Charges	273,707.90	276,525.27	282,925.24	292,937.18	288,645.44
Sundries	184,701.21	174,830.33	168,972.85	145,790.02	125,344.85
Surplus	22,361.45	10,197.43	12,181.40	9,902.45
	\$1,364,836.13	\$1,437,917.38	\$1,471,758.81	\$1,513,303.57	\$1,512,156.93
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Total Salaries, 1929	\$ 906,427.02	Average Enrollment, 1929	14,687	No. of Teachers, 1929	423
Total Salaries, 1934	1,056,837.09	Average Enrollment, 1934	15,682	No. of Teachers, 1934	444

CALGARY PUBLIC SCHOOL BOARD
Comparative Statement of Revenue and Expenditure for Years 1929 to 1934 inclusive

		REVENUE			
		1929	1930	1931	1932
\$1,260,000.00	\$1,306,250.00	\$1,068,750.00	\$1,025,000.00	\$18,694.11	\$ 867,615.71
82,777.92	101,986.68	98,217.40	107,371.27	103,214.18	96,920.76
22,871.69	22,123.08	20,387.13	21,236.57	24,307.95	33,746.22
50,759.37	.....	33,366.06	40,080.76	65,095.11	39,100.15
.....	118,750.00	356,250.00	375,000.00	281,905.89	292,384.29
\$1,416,408.98	\$1,549,109.76	\$1,578,520.59	\$1,568,688.60	\$1,292,617.24	\$1,329,767.13
		EXPENDITURE			
\$ 778,964.42	\$ 837,210.01	\$ 879,581.21	\$ 856,151.29	\$ 691,792.83	\$ 770,368.01
77,179.03	85,261.89	85,836.55	82,678.27	72,903.17	71,795.12
29,657.10	31,244.05	31,712.86	30,469.10	23,985.19	24,803.37
31,283.96	23,710.58	20,940.70	19,488.52	14,629.40	17,875.51
24,212.63	28,645.40	34,519.95	33,301.59	29,517.52	24,128.38
287,932.32	306,945.03	325,132.50	336,034.61	307,748.38	297,228.16
356.34	2,269.27	8,725.23	16,089.89	2,191.19	4,563.38
186,823.18	199,510.03	151,990.83	129,380.22	110,749.41	113,497.13
.....	33,366.06	40,080.76	65,095.11	39,100.15	5,508.07
\$1,416,408.98	\$1,549,109.76	\$1,578,520.59	\$1,568,688.60	\$1,292,617.24	\$1,329,767.13
Total Salaries, 1929	\$941,297.14	Average Enrolment, 1929	14,425	No. of Teachers, 1929	430
Total Salaries, 1934	908,970.39	Average Enrolment, 1934	15,020	No. of Teachers, 1934	426

REPORT ON TAXATION

EDMONTON PUBLIC SCHOOL BOARD

The distribution of one dollar of expenditure and revenue for the past three years is as follows:

REVENUE	1932	1933	1934
Item			
Government Grants .....	.06	.06	.06
Employees' contribution to Unemployment Relief .....	.045	.06	.06
Miscellaneous .....	.02	.01	.02
Tax Levy .....	.875	.87	.86
	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
EXPENDITURE			
Debenture and Interest Charges .....	.195	.19	.19
Taxes, Insurance, Fuel, etc. ....	.04	.04	.04
Salaries .....	.71	.72	.71
Operation and Maintenance of Buildings and Equipment .....	.035	.03	.035
School and Medical Supplies .....	.02	.02	.025
	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>

25. RURAL SCHOOL FINANCE

In a booklet issued by the Department of Education in 1929, entitled "Rural Education in Alberta," it is stated that the problem of rural education in Alberta presents three main phases:

1. To ensure full-time operation of sufficient schools, both elementary and secondary.
2. To effect a fair distribution of the cost.
3. To improve the quality of the education provided in the schools.

In none of these phases, it is stated, are we meeting the problem as we might.

The Taxation Inquiry Board is mainly interested in the question of taxation in its relation to rural school finance, and for the purpose of providing a clear picture of the problems involved the following data is submitted:

School Districts

Number of School Districts in Province, Dec. 31, 1934	3,688
Number of Consolidations as at Dec. 31, 1934	62
Number of School Districts in consolidation	202
Number of Rural High Schools	16
Number of units in Rural High Schools	78

School Finances, 1933-34

Cost of ungraded schools, per room	\$ 996.29
Cost of ungraded schools, per pupil	43.73
Average salary per teacher, ungraded schools	738.29
Cost of graded schools, per room	2,230.12
Average salary, per teacher, graded schools	1,418.06
Total number of teachers: Rural 3,587, Urban 2,325.	
Number of school districts in default with debenture payments	402
Total debenture payments in default	\$176,000.00
Total amount of rural teachers' salaries in arrears	265,720.61

In the year 1933 the total cost of education in the Province, excluding the University, the Technical Institute, and the Normal Schools, amounted to \$9,295,551.00, the Provincial Government contributing, by way of grants, the sum of \$1,587,798.87. These figures are segregated as follows:

	Cost of Education	Govt. Grants	Percentage
Rural Schools	\$3,650,486.00	\$ 869,122.66	24%
Town Schools	765,646.00	133,569.98	17%
City Schools	3,197,211.00	257,971.65	8%
Separate Schools	355,576.00	36,907.44	13%
Rural High Schools	31,502.00	13,254.87	42%
Consolidated Schools	505,118.00	136,452.34	27%
Village Schools	790,012.00	140,519.93	16%
	\$9,295,551.00	\$1,587,798.87	17%

The various items of costs in 1933 for all rural schools averaged as follows:

Teachers' salaries	\$ 841.57
Officials' salaries	47.55
Debenture payments	80.46
Payments on notes	90.15
School buildings and repairs	53.53
School grounds	10.66
Library and reference books	3.43
Apparatus and equipment	5.17
Supplies and stationery	27.27
School furniture	14.63
Caretaking and fuel	97.77
Insurance	9.18
Other expenditures	86.86
 Total Average	 <u>\$1,367.73</u>

School Trustees

Number of School Trustees in the Province	10,792
Made up as follows:	
Rural, including consolidations	10,039
Villages	435
Towns	275
Cities	43

In 1934 the total number of pupils in the Province was 172,040, this being an average of 16 pupils to 1 trustee.

The total number of pupils in the rural schools, including consolidated schools, amounted to 91,939, or an average of 9 pupils to one trustee.

Number of Tax Collecting Bodies in the Province

Number of Rural School Districts levying their own taxes (approximately)	1,500
All Village School Districts collect their own taxes (approximate figures)	240
Municipal Districts	163
Villages	145
Towns	55
Cities	7
Dominion Government	1
Provincial Government	1
 Total Tax Collecting Bodies	 <u>2,112</u>

On the assumption that two-fifths of the population of Alberta are taxpayers, there is at present a Tax Collecting Authority for every 138 taxpayers.

Financing of Schools

The duty of making financial provision for the support of schools has been delegated by the Provincial Government to individual School Districts, the main source of revenue being that of taxes levied upon the property of the district. The money thus raised is supplemented by Government grants earned on account of operation.

Due to the varying tax-paying power of rural districts and the wide spread in mill rates found necessary to obtain the required funds, educational authorities have reached the conclusion that the present system of financing rural schools is gravely defective and must be abandoned. When it is realized that the assessment of property in School Districts varies from \$3,175.00 to \$550,000.00, and that the tax rates for school purposes vary from two mills to sixty-three mills, little argument is necessary to prove the defective character of the system now in vogue. In support of this conclusion attention is again directed to the fact that in 1934 there were 402 School Districts in default with debenture payments, and that rural teachers' salaries were in arrears to the alarming extent of \$265,720.

It has already been pointed out that Government grants to rural schools in 1933 amounted to 24% of the total cost, and this was an increase over grants paid in previous years. The regular grant of 90 cents per day, payable for 180 days, amounts to \$162 per year. In 1926 The School Grants Act was amended to provide for an equalization grant varying from 20 cents to \$2.20 per day, according to assessed valuations, wherever such valuation is less than \$75,000.00 per teacher. The beneficial effect of this additional assistance was immediately seen in extended periods of operation.

The following paragraphs and table are taken from a Bulletin entitled "The Mechanism of Administration and Support of the Provincial School Systems in Canada," published by the Dominion Bureau of Statistics in 1935:

"The chief sources of income of the publicly controlled schools in Canada are as follows: (1) local taxation, (2) Provincial Government grants, (3) the sale of bonds and debentures. Another source of revenue in some of the provinces is fees from pupils; in Quebec a fee may be exacted for all children of school age, whether attending or not. The current expenses of the school boards in all the provinces are met by the money raised by taxation, Government grants, fees and other minor receipts such as gifts, rentals from school property, etc. Capital or extraordinary expenditures such as the cost of school sites and school buildings are generally paid through the sale of bonds or debentures. These must be retired by the school board from money raised by local taxes, either by annual or less frequent instalments, or by the creation of a sinking fund. Therefore the Canadian school boards receive their real support from two main sources, local taxes and Provincial Government grants."

"The following table shows the proportions of the current expenditure of the school boards of the different provinces since 1914 that were received from school taxes, Government grants and fees. The expenditure includes any payments made on the debenture debt or towards the creation of a sinking fund. It does not include any revenue such as gifts, rentals from school property, etc., but as incomes of this nature are usually very small the percentages shown in the table would not be affected to any great extent by their inclusion. The year 1932 is the last included in the data for Ontario, 1933 for Quebec, Saskatchewan and Alberta, and 1934 for the remaining provinces."

"Sources of real support of the school boards of the Provinces of Canada since 1914:

	Per cent. Received from:			
	School Adminis- trative Unit	County	Fees (where recorded)	Gov't Grants
Prince Edward Island	40.9			59.1
Nova Scotia	73.5	13.4		13.1
New Brunswick	78.0	7.3		14.7
Quebec	90.1		3.6	6.3
Ontario	83.4	4.4	.7	11.5
Manitoba	86.5			13.5
Saskatchewan	81.3		1.1	17.6
Alberta	85.7		.9	13.3
British Columbia	67.1			32.9

"It can be readily seen from the above table that in all the provinces except Prince Edward Island the amount of money raised by school taxes greatly exceeds that received in the form of Government grants. It will also be noticed that in three of the provinces—Nova Scotia, New Brunswick and Ontario—the taxes levied in support of a school board's schools are not confined to the administrative area of the board. The school boards in the two Maritime Provinces share in a tax levied by the council of the county in which they are situated. In Ontario the rural public schools receive aid from a township tax, while rural public and separate schools and the majority of secondary schools share in a tax levied by the county council. About three-fifths of the school support in the rural municipalities of Manitoba is equalized by a uniform rate levied over the whole municipality."

For the purpose of comparison, the Board thinks it desirable to refer briefly to the various practices in English speaking countries in respect to the administration and financing of education. It is hoped that the facts disclosed will be found useful to educational authorities in the task of determining what changes might advantageously be effected in the interest of education in this Province.

England and Wales: Education in England and Wales is administered by the Board of Education, Whitehall. The Local Educational Authorities are the education committees of the county and borough councils which are composed of elected councillors with certain co-opted members. The higher education grants amount to 50% of expenditure. Elementary grants—teachers' salaries, school medical services and other special services and maintenance costs, 50%. Loan charges, administration and certain other expenditures, 20%. These are increased by a capitation grant per unit of average attendance.

Scotland: Government grants amount to 53.6% of the total cost of education.

South Africa: In South Africa local school boards do not exist. The Government administers higher education directly, and pays most of the cost of elementary and secondary education.

Australia: In Australia there are no local educational authorities, finances being provided wholly by the State Governments.

New Zealand: In New Zealand education is administered by the Department of Education, and primary schools are under the control of nine education boards. There are no rural or municipal school boards. No rates, local or otherwise, are levied for educational purposes, the Government making annual grants to meet all expenditures.

United States: In the United States the situation in respect to financing education is similar to that experienced in Canada. Schools are financed by the local school districts from the proceeds of the general property tax. There are now definite trends in the direction of increased State support and the creation of larger administrative units. The inefficiency of dependence upon local support for the financing of schools is now being widely recognized, and many of the States are devising ways and means whereby a more satisfactory basis of taxation can be established. Since education has come to be regarded as a "social service of national importance," the trend of thought is to make its financing a "national or state responsibility." At present Government grants in support of education in the United States vary from 8.4% of the total cost to 51.7%, the median being 29.65%.

Both in the United States and in Canada it has become clear that sources other than the taxation of land must be found to ensure an adequate and equitable distribution of the cost of education. It cannot

be asserted too strongly that the concentration of the burden of cost for various social services upon "real property" is "destructive of its intrinsic value," and that the continuance of this practice is bound to have disastrous results. The substitution of a broader basis of taxation for the support of these services has therefore become an imperative necessity.

Larger Units of Administration

Among educational authorities an unanimous opinion has been reached that a partial solution of the problems now being reviewed can be found in the creation of larger units of administration.

On this subject, Dr. Murray, President of the University of Saskatchewan, has said:

"I claim that our educational system is inherently unjust. It imposes a national obligation upon units—unequal in resources—units never intended for this purpose. The small rural school district was adopted for another purpose, performed a service for other conditions, but has now become not only inefficient in administration, but an instrument of injustice for the discharge of a national obligation."

In the booklet, "Rural Education in Alberta," already referred to, the following solution is suggested:

1. **School Districts.** "The school district as at present constituted will continue to be the basic unit of organization. The local board will retain all its present powers and duties excepting that of engaging and paying the teacher. Local funds would therefore be needed. The local Board will make up its annual budget and requisition the amount from the municipality, or in the case of improvement districts, from the Department of Municipal Affairs. The municipality or the department will make the necessary levy and pay the money to the local Board."

2. **Divisions.** "Larger units of administration will be established, by grouping the 3,000 rural school districts of the Province in 20 divisions of approximately 150 districts each. In each division there will be a board of five directors elected by the ratepayers. These divisional boards will have the engaging, placing, and dismissing of all teachers in their respective divisions. Each division will have a superintendent."

3. **One General Taxing Area.** "For raising the money for teachers' salaries, the 20 divisions will unite, forming one taxing area embracing all the rural districts of the Province. There will be a general board, composed of 20 chairmen of the 20 divisional boards. The general board will fix the rate of pay for all rural teachers, draw up its annual budget, fix a common mill rate for the entire area, and requisition the money from the municipal authorities. Each division will send in its monthly time sheet and the pay cheques of all rural teachers will be issued from the general office."

"For the payment of teachers' salaries, at the present rate, and meeting all the expenses of the general board and of the divisional boards, it is estimated that there would be required a sum equal to a levy of 7½ mills on the total assessed valuation of the general taxing area."

In the report of the Legislative Committee on Rural Education submitted to the Legislative Assembly, April 12th, 1935, the following recommendations relating to this subject were made:

"That in the study of taxation now being made, and in any changes pursuant thereto, particular attention be given to the financing of rural education, in order that the cost of a service which is admittedly the concern of every citizen may be more fairly distributed and educational opportunity equalized to the fullest degree possible."

"That the Department of Education give careful study to the question of the larger unit of administration, in an effort to evolve a plan that will permit of the bringing of rural schools to a higher degree of efficiency, and that will, at the same time, be acceptable to the people of the Province."

Province of Manitoba

In 1925 a Special Commission of the Manitoba Legislature on Suburban Problems issued its report from which the following recommendations are extracted:

"That the present basis of levies for education be changed by equalizing costs throughout the Province through:

- (a) a levy upon rural areas on the basis of an equalized assessment;
- (b) an income tax on corporations, companies, and individuals in urban areas."

The Commission recognized the inadequacy of the existing system of school administration and methods of securing and distributing school revenues. The inadequacies are summarized as follows:

1. The inequitable assessment of real property.
2. The failure to seek school revenues in terms of the income of the people.
3. The school district is an inadequate unit both for administration and for revenue purposes.

In 1933 a committee composed of representatives of The Manitoba School Trustees' Association, The Manitoba Union of Municipalities, The Manitoba Teachers' Federation, The Department of Education, and The Manitoba Tax Commission investigated the administration and financing of schools. They made three chief recommendations:

1. That the Provincial Government assume responsibility for the cost of a minimum educational programme throughout the Province.
2. That a body to be known as "The Provincial Board of Education" be created.
3. That larger units of administration be established, in as much as the traditional school district has been found to be an inadequate unit for administrative and revenue purposes.

Province of British Columbia

The report on "School Finance in British Columbia" recently issued by the Government of that Province, discloses a condition in connection with the financing of education not unlike that which exists in the Province of Alberta. The report outlines a variety of methods whereby the cost of education may be placed on a sounder basis, and indicates the type of administrative organization essential alike for educational efficiency and for economy and financial control.

Among the recommendations contained in the report are the following:

1. That the Provincial Government as soon as possible take over the complete financial responsibility for education, with the exception of provision for interest and sinking fund charges now chargeable to municipalities.
2. That for the support of education there be a uniform provincial tax upon real property of from three to four mills upon the total assessable value of property, and that the remaining cost be provided from the consolidated revenue fund of the Province.
3. That further provincial revenue be secured through an increase in the income tax of from one to two per cent. upon all incomes now taxable (present exemptions to be continued) or from a general sales tax of one per cent., or from a combination of these two imposts.
4. That the system of having schools administered by a multiplicity of school boards (826) be abandoned, and that the Province be divided into educational areas approximating the present inspectorial divisions, and that each of these areas be administered by a Director of Education.

From what has already been stated it will be clear that the problem of rural school finance is engaging the anxious attention of all governmental authorities throughout Western Canada, and that the perpetuation of the present system of financing rural education can no longer be

defended. After careful examination of the problem, the Taxation Inquiry Board has reached the following conclusions:

1. That in respect to the burden of cost of rural education, experience has proved that the present system of raising approximately 80% of the necessary revenue by way of the taxation of real property in the local school district is inadequate and inequitable.
2. That the defects of the present system may largely be remedied by a progressive policy of establishing larger units of administration. In this connection, attention is directed to The Berry Creek Experiment, where four organized municipalities, having 67 organized school districts, and an unorganized territory equal to about 10 school districts were in 1932 organized as a single unit.

26. THE MUNICIPAL HOSPITALS ACT

The Municipal Hospitals Act was enacted at the 1917 Session of the Legislature. The Act was amended several times between 1917 and 1929, and, in the latter year, it was consolidated under the title of "An Act to amend and consolidate the Laws relating to Municipal Hospitals."

The first Municipal Hospital District was formed in 1918 and there are now twenty-two districts in the Province.

The hospitals are financed by—

- (a) A tax imposed on all assessable lands within the district.
- (b) Patients' fees.
- (c) Government grants.

The bases used by the hospital districts in determining the tax requisitions annually to be levied by the contributing areas vary considerably:

- (a) Some base the requisition on the assessed values of all contributing areas.
- (b) Some base the requisitions for the rural areas on the area of land which is taxable for the hospital support, but do not disclose how the requisition on the urban areas is determined.
- (c) Some decide the requisitions on the rural in one of the foregoing methods and make the urban requisition an amount which will make the per capita tax the same in urban as in rural.
- (d) One district reports that "the basis for the requisitions is the original scheme on which the ratepayers voted. That is, the total requisition each year is apportioned amongst the contributing areas in the same ratio as the estimated requirements as set out in the original scheme." No thought seems to have been given to any changes which may have taken place in these areas since the scheme was voted on.
- (e) Another states that the requisition is based on the assessment for rural areas and the urban areas by a fixed levy. How the urban amount is fixed is not explained.

An examination of the tax requisitions discloses that, on a per capita basis, the tax is higher on the rural areas than on the urban.

The hospitals receive a Government grant of 50 cents per patient per day, and the general charge to tax-paying patients for hospitalization is \$1.00 per day.

Following is a statement of the total cost and total receipts of the twenty-two hospital districts for the year 1933:

Expenditure	Receipts	% of Receipts		
Running Costs	\$414,695.65	Tax Requisitions	\$286,804.26	46.56
Capital Repayments	154,346.17	Patients' Fees	231,937.38	37.65
		Government Grants	73,420.50	11.92
		Sundry Earnings	23,832.30	3.87
Total	<hr/> \$569,041.82	<hr/> \$615,994.44		

Hospital Districts are voluntarily formed, administered and supported by the residents of the districts concerned. The Government contribution is by way of grant at a rate allowed all hospitals in the Province, and the above is submitted for purposes of information only.

27. MINERAL TAXATION

For several years there has been levied in the Province a tax on minerals, the authority for which is contained in The Municipal District Act and The Improvement Districts Act. Section 286, Subsection (5), of The Municipal District Acts reads as follows:

"The minerals or any mineral in or on any parcel or parcels of land may be assessed as a parcel separate from the parcels containing the surface on, in or beneath which such minerals lie, and if separately assessed shall be assessed at their or its fair actual value."

"Provided, however, that where any minerals or mineral in or on any parcel of land are not or is not separately assessed, such minerals or mineral shall be deemed to form one parcel with the surface unless the ownership of such minerals or mineral is vested in some person other than the owner of the surface (together with all minerals, the ownership of which is vested in the owner of the surface and are not separately assessed, if any) shall be deemed to form one parcel of land, and the minerals or mineral separately owned shall form other parcels."

The following amendment to Section 2 of the Act was passed in 1930:

"'Minerals' shall include coal, but shall not include natural gas, petroleum, gasoline or any oil of a mineral nature."

The amendment of 1930 exempts from assessment and taxation mineral oils and gas, and narrows the application of the Act to coal.

In a brief submitted to the Board by the Anglo-Western Oils, Limited, objection is taken to the method adopted by municipal and improvement district authorities in the assessment of mineral properties.

The company submits that the intention of the Act is to authorize the assessment and taxation of "minerals," and that it contemplates minerals in place—"known to exist"—and capable of being scientifically measured, in order that "fair actual value" may be ascertained as required by the Act. The company further distinguishes between "minerals" and "mineral rights," the latter being "the right acquired from the Crown with the land to mine minerals if perchance minerals should be found to exist in or under the land acquired." These "mineral rights," it is submitted, are not assessable under the Act in question.

The following statements of the Anglo-Western Oils, Limited, indicate its position in relation to the Act:

"The Anglo-Western Oils, Ltd., have under lease from the British Dominions Land Settlement Corporation the freehold oil and mineral rights in and under the Land Company's lands, which are checker boarded irregularly in a strip some fifty miles wide across Alberta, from west of Lake Wabamun to Vermilion. The lands are situated in 35 municipal districts, and in only five of these districts have either company been assessed at any time for mineral tax, namely:

District	Acreage Assessed	Assessed value per quarter section
M.D. Pioneer No. 490	119	\$ 10.00
M.D. Spruce Grove No. 519	4,549	20.00
M.D. Sturgeon No. 548	9,420	40.00
M.D. Morthen No. 551	29,436	20.00
M.D. Pembina No. 552	617	1,844.00
		on 614 acres

It will be noted that the entire holdings of the company in M.D. Morthen, amounting to 29,436 acres, are assessed at a flat rate of \$20 per quarter section. In this connection the company states that "it would cost, at a rough estimate, over \$150,000 for geological examination, and

drilling test holes, to prove or disprove the presence in these lands of a mineral without market value now, or at any time in the near future, and for which we are taxed on the assumption that such mineral exists and has a taxable value."

The company brief concludes with the following submissions:

1. That assessment and taxation of mineral "rights" by Municipal Councils is contrary to the wording and intention of Section 286, Subsection (5), of The Municipal District Act.
2. That Municipal District Councils have no legislative authority to assess and tax mineral "rights," and are exceeding their powers under Section 286, Subsection (5), of The Municipal District Act.
3. That all assessments and levies on mineral "rights" in past years, being irregular, should be revoked.

The Board is of the opinion that this is a legal matter that does not come within its purview.

In the event of the Act being interpreted as giving power to assess mineral "rights," the company submits that:

1. Assessment and taxation of mineral rights should only apply when the presence of mineral, of merchantable value, in or under each separate quarter section, is proven beyond doubt.
2. The "onus of proof" of presence of mineral should lie with the taxing authority. The owner of mineral rights should not be required to prove the "absence" of minerals in order to escape taxation based on no sounder foundation than the assumption of its presence.

The Act requires assessors to assess every assessable property at its "fair actual value," and to make a return thereof to the secretary-treasurer giving a description of each parcel and of all other property assessed. In the cases under review the assessors appear to have placed an arbitrary value on the mineral based primarily on the fact that titles to it were in existence, and that by virtue of that fact alone a nominal assessment of the property represented by title was warranted.

In this connection, however, it may be pointed out that while it is clearly the duty of the assessor to place on the assessment roll every parcel of land or of minerals, and to set a value for same, the owner possesses the right of appeal to the Court of Revision or to the Assessment Commission.

In respect to mineral leases and mineral rights, the Board has reached the following conclusions:

1. That the Government should continue to collect an annual rental on mineral leases, and, in addition, a royalty on production from such leases as and when they are developed.
2. That in the case of mineral rights alienated from the Crown where no lease rental and no royalty is collected by the Province, steps should be taken to impose a tax for Provincial purposes.

28. TAXATION ON GRAZING LANDS

In a brief presented by The Western Stock Growers' Association, the attention of the Taxation Inquiry Board was directed to the condition prevailing with respect to the taxation and rentals of what are known as "The Short Grass Lands" in the southern part of the Province:

The following submissions were made:

"The difficulties at present experienced by those engaged in the cattle and sheep industry on the grazing lands of Southern Alberta are not entirely attributable to the depressed prices prevailing since 1930, but are in large measure due to a combination of unfavourable conditions associated with the development of the grazing lands over a period of years."

"In 1931 cattle barely met their operating costs, the rate of return on the capital invested being .83%."

"In order to obtain a return of 6% interest on cattle, it is necessary to secure at least six cents per pound for beef. Market prices for feeder cattle for the past four years have been approximately half of this figure."

"Figures for the period from 1929 to 1933 show that the average rate of return on the capital invested in 80 sheep ranches, carrying approximately 200,000 sheep, was .68%; 1934 returns showed a slight improvement."

"Lease rentals and taxes, together with other taxes applicable to deeded lands, amount to 15.83% of the actual cash expenses of a cattle ranch. In the sheep business rental and taxes amounted to 15.9% of the cash expenses."

"In segregating taxes from rental, the taxes would amount to 9.09% of the cash expenses. Lease rentals are 2c per acre and taxes approximately 2c per acre on leased land."

The Association urged the adoption of the following principles:

1. Arrears in taxes to be worked out in the form of range improvements, such as conservation of water policies, fencing, and other management practices which would promote more efficient land utilization. A straight reduction in taxes would discriminate against those who had paid unless consideration was given to taxes due in the future.
2. A rate of taxation that the stockmen can afford to pay.
3. That a flat rate of rental and taxes be levied on all grazing lands and collected through one agency.
4. In view of the fact that many adjustments in taxes have been made by the Government in the past, that these adjustments be discontinued and reasonable rates charged.
5. That consideration be given to rates of taxation in relation to those in vogue in other beef and mutton producing countries.
6. That taxes be levied according to the productive value of the land rather than according to fictitious values.
7. That on all abandoned farm lands, taxes be disregarded until a complete regrassing is obtained.

In support of their brief, the Association submitted a number of reports dealing with various economic phases of the sheep and cattle industry, among which was a report, dated March 2nd, 1932, prepared by Messrs. Wyatt and Dinning at the request of the Minister of Lands and Mines. Due to the complexity of the problems examined and the absence of adequate data, the authors of the report referred to had this to say:

"It is recognized that certain grazing areas in the Province are much more valuable than others, but not sufficient information is at present available in the unorganized territory to warrant a classification. Certain districts, owing to lack of water, overgrazing in the past, and the large areas of abandoned land which have little or no grass will not carry sufficient live stock to meet the present charges on the basis of the prevailing prices the ranchers are receiving for their stock. On the other hand, under normal market conditions, other areas are paying a low rate in view of the value of the holdings for grazing purposes."

"A careful study of the entire question reveals that only a detailed survey of all the grazing areas in the Province can produce an equitable basis for taxation and rental purposes. The machinery for this work is now available in the Department of Municipal Affairs, and we suggest that when the assessors present their valuation reports the Assessment Commission be authorized to review the findings with the view to establishing an equitable basis for making rental and taxation levies."

As a result of representations made to the Department of Lands and Mines with respect to rents payable for Provincial lands under grazing leases, an Order in Council was passed on March 6th, 1935, authorizing the Minister of Lands and Mines to make compromises as to the rent payable under such leases on, from and after the 1st day of January, 1933, up to and including the 31st day of December, 1937. The rates fixed by the Order in Council are \$1.60, \$2.10 and \$2.60 per quarter section for grazing rights, according to the character and location of the lands involved.

While the above Order in Council indicates that ameliorative action in respect to rentals has been taken by the Government, it does not appear that anything has been done in respect to the recommendation of Messrs. Wyatt and Dinning as to the necessity of having a detailed survey made of the lands in question, so that an equitable basis of taxation may thereby be established.

In respect to the general question at issue, the Taxation Inquiry Board has the following observations to make:

1. That a blanket rate of taxation covering large areas of lands cannot be regarded as a sound system of taxation.
2. That an essential prerequisite to the taxation of lands, of whatever character, is a competent assessment of the value of same.
3. That in assessing the value of lands their income bearing capacity should constitute a factor of major importance.
4. That the necessary steps be taken by the Government to have the lands in question properly assessed.
5. That owners and lessees be granted the right of appeal in respect to assessments to the Alberta Assessment Commission.
6. That in the case of leased lands, the rentals charged and the taxes imposed should be regarded as a unit, be collected preferably by one authority, and that the total amount so imposed should bear an equitable relation to the productive character of the land affected.

29. COST OF UNEMPLOYMENT RELIEF

In view of the heavy and increasing cost of unemployment relief, both Provincial and municipal, and the widespread demand that it be made a national rather than a local obligation, the Board thinks it advisable to include in this report the following statistics in respect thereto.

The first set of figures indicate the magnitude of the tax burden caused by unemployment relief in the cities of Calgary and Edmonton, and its effect on the mill rates imposed by these two cities for the years 1930 to 1934 inclusive.

City of Calgary:

Year	Unemployment Relief	Equivalent in Mills
1930	\$ 52,200.57	.82
1931	243,792.68	3.71
1932	398,542.06	5.99
1933	483,734.18	7.77
1934	564,619.71	9.22

In addition to the above expenditures, the money spent by the city on ordinary city relief and for city indigents at the General Hospital for the past five years is as follows:

Year	Civic Relief	Hospitalization
1930	\$ 43,841.44	\$36,207.11
1931	42,777.16	40,123.90
1932	71,404.97	51,608.19
1933	101,591.78	59,786.47
1934	129,447.09	66,259.79

For the year ended December 31, 1934, the total amount expended on relief was \$694,066.80, and of this amount the sum of \$250,000 has been capitalized.

City of Edmonton:

The following figures, supplied by the City Comptroller, show the total cost of unemployment relief including the cost of civic relief charged to current account, the amounts capitalized each year, the total expended, and its equivalent in mills.

Year	Charged to Current Acct.	Amount Capitalized	Total Expended	Equivalent in Mills
1930	\$ 87,840.34	1.35	\$ 87,840.34	1.35
1931	61,459.61	.93	\$200,000	261,459.61
1932	159,510.27	2.44	250,000	3.96
1933	177,318.21	2.73	250,000	6.25
1934	295,543.14	5.28	250,000	6.56

The annual debenture charges resulting from the capitalization of relief costs are as follows:

1931	\$200,000	\$ 28,000
1932	250,000	35,000
1933	250,000	35,000
1934	250,000	35,000
Total		\$133,000

While the cost of unemployment relief for 1935 can only, at the time of writing, be estimated, it is understood that in Edmonton it will

exceed by a substantial sum that of 1934, and that the capitalization for 1935 will likely amount to no less a sum than \$390,000. Thus the total capitalization by the end of the year will amount to \$1,340,000. On this sum the annual charge in respect to sinking fund instalments and interest will be equivalent to 14% of the sum stated for a period of ten years from the date of each debenture issue.

From the above facts it will be realized that the burden now borne by the cities in respect to unemployment relief is such as to require immediate attention. The continuance of the present policy of capitalization must inevitably lead to an early collapse of urban finance, and action to secure a substantial diminution of the present municipal burden has become an imperative necessity.

The following statistics are taken from the Provincial Auditor's "Analysis of the Public Accounts" for the year ended March 31, 1935:

"So far as information is available to this office, the total cost of Unemployment Relief in the Province of Alberta, during the year ended March 31, 1935, to all authorities amounted to \$4,624,788.56. The division of cost between the several authorities is shown below".

	Year Ended March 31, 1935.			
Particulars	Total	Dominion	Province	Municipalities
Relief Work	\$ 953,442.77	\$ 100,421.90	\$ 851,975.09	\$ 1,045.78
Direct Relief:				
Unemployment Relief				
Commission	\$ 229,650.93	\$ 45,753.24	\$ 183,897.69	.....
Provincial Transients	108,681.99	14,504.95	94,177.04	
Cities	2,424,275.10	276,053.36	1,243,827.18	\$ 904,394.56
Towns and Villages	116,738.98	14,649.31	57,353.71	44,735.96
Municipal Districts	249,216.38	28,390.34	124,117.47	96,708.57
Improvement Districts	396,125.80	47,757.58	194,990.25	153,377.97
	\$3,524,689.18	\$ 427,108.78	\$1,898,363.34	\$1,199,217.06
Dominion grant in aid .....	.....	800,000.00	800,000.00	.....
	\$3,524,689.18	\$1,227,108.78	\$1,098,363.34	\$1,199,217.06
Administration	\$ 146,656.61	.....	\$ 146,656.61	.....
Total	\$4,624,788.56	\$1,327,530.68	\$2,096,995.04	\$1,200,262.84

Expenditure for relief purposes, during the year under review, shows an increase of \$461,791.04 as compared with the previous fiscal year, as follows:

Total cost to all authorities for the year ended Mar. 31, 1935 \$4,624,788.56
Total cost to all authorities for the year ended Mar. 31, 1934 4,162,997.52

Increase \$ 461,791.04

Accumulated cost of Unemployment Relief from October 4, 1930, to March 31, 1935, is shown hereunder:

	October 4, 1930, to March 31, 1935			
Particulars	Total	Dominion	Province	Municipalities
Relief Work	\$ 9,899,519.47	\$3,625,822.17	\$4,872,639.48	\$1,401,057.82
Direct Relief:				
Cities	\$ 9,159,174.23	\$2,538,962.33	\$3,498,686.05	\$3,121,525.85
Towns and Villages	299,000.11	82,319.05	125,471.46	91,209.60
Municipal Districts	582,474.24	160,329.91	251,713.51	170,430.82
Improvement Districts	1,045,234.77	267,160.74	409,748.14	368,325.89
Provincial Transients	220,825.20	63,563.55	157,261.65	.....
Unemployment Relief				
Commission	851,531.40	573,142.52	278,388.88	.....
	\$12,158,239.95	\$3,685,478.10	\$4,721,269.69	\$3,751,492.16

Dominion grant in aid	800,000.00	800,000.00	.....
	\$12,158,239.95	\$4,485,478.10	\$3,921,269.69 \$3,751,492.16
Administration:			
General	\$ 307,489.22	.....	\$ 307,489.22
Unemployment Relief Commission	132,759.04	.....	132,759.04
	\$ 440,248.26	.....	\$ 440,248.26
Total	\$22,498,007.68	\$8,111,300.27	\$9,234,157.43 \$5,152,549.98

The Province's share is in the accounts as follows:

Public Works	\$5,066,791.87
Less: Contributions from Dominion of Canada and other authorities	2,053,700.01
	\$3,013,091.86
General Welfare	\$7,495,216.79
Less: Contributions from Dominion of Canada and other authorities	1,274,151.22
	6,221,065.57
Total	\$9,234,157.43

The present sources of revenue are inadequate to meet the burden of Unemployment Relief; the whole of the foregoing provincial expenditure has been charged to Capital Account and met from borrowed funds, thereby adding to the debt of the Province and increasing the annual expenditure for fixed charges.

The Board has reached the conclusion that the burden of Unemployment Relief is of such magnitude, both to provincial and municipal authorities, that it cannot be met by provincial and local taxation, and that the cost of same should be assumed by the Dominion Government.

30. A PROVINCIAL WAGE TAX

Among the many representations made to the Board there is an almost complete unanimity of opinion that any augmentation of revenue required by the Provincial Government should be made by having recourse to individual and corporate incomes, and it is therefore thought desirable that some reference be made to the imposition of a Provincial Wage Tax.

In a previous chapter attention was directed to a number of facts connected with the Provincial Income Tax, and the following data has been submitted to the Board by the Superintendent of Income Tax:

Re Provincial Income Tax:

INDIVIDUALS

Returns	No. of Taxpayers	Aggregate Income	Taxes Levied
1931	24,571	\$51,930,321	\$508,133
1932	22,645	45,200,668	453,843
1933	20,701	39,214,177	314,090

"The decrease in the aggregate assessment with respect to the 1933 returns was partly caused by the elimination of the \$3.00 base tax. The small increase in the rate applicable to the larger incomes did not yield sufficient to offset this. The greater part of the reduction, however, was the direct result of a general reduction of incomes in the hands of the taxpayers."

CORPORATIONS

Returns	Number Taxable	Aggregate Income	Taxes Levied
1931	412	\$6,642,923	\$203,926
1932	350	6,057,963	210,521
1933	498	5,146,163	193,617

"The increased number of corporations assessed on their 1933 returns was occasioned by the elimination of the statutory exemption of \$1,000 allowed corporations and joint stock companies in the previous years. It will be noted that although the number of corporations assessed was greater, the aggregate income is considerably less."

The following is a summary of individual tax assessments in 1933 according to occupational groups:

Occupational Division	No. of Taxpayers	Income	Tax Levied
Agrarian	118	\$ 314,192.95	\$ 2,392.58
Professional	493	1,909,672.84	24,534.60
Employees	18,847	33,176,555.82	206,716.92
Merchants, Retail and Wholesale	704	2,114,463.15	22,804.93
Manufacturers	9	38,498.29	353.19
Natural Resources (Forest, Mines and Fisheries)	4	7,011.96	31.62
Financial	67	450,892.00	36,664.67
Unclassified, Estates, etc.	459	1,202,890.38	20,591.87
Totals	20,701	\$39,214,177.39	\$314,090.38

The following is a summary of Corporations Income Tax Assessments in 1933 according to occupational divisions:

Occupational Divisions	Income	Tax Levied
Agrarian	12	\$ 12,358.65
Merchants, Retail	219	1,328,087.95
Manufacturers	71	1,259,532.38
Natural Resources	55	1,351,238.26
Financial	81	328,717.07
Transportation	4	3,365.54
Public Utilities	4	688,999.52
All others	52	173,864.56
 Totals	 498	 \$5,146,163.93
		 \$193,617.40

There were approximately 1,900 returns of income received from corporations and joint stock companies, and it will be noted that only 498, as shown above, were taxable under The Income Tax Act.

From the foregoing figures, it will be seen that the total income taxes levied on individuals, on returns submitted for the year 1933, amounted to \$314,090, and that this sum represents an average tax based on 20,701 taxpayers of about \$15.00, or a per capita tax based on a population of 730,000 of 43 cents.

While the aggregate income in 1933 is stated to be \$39,214,177, it should be pointed out that the wage pay-roll reported to the Workmen's Compensation Board amounts to nearly double that sum. For the year 1934 the Board reports that the wage pay-roll amounted to \$61,880,494. It will of course, be understood that the earnings of thousands of employees are not included in the pay-roll reported to the Compensation Board. A 1% tax on the above amount would yield \$618,804, and a 2% tax would yield \$1,237,608.

In a memorandum submitted to the Taxation Inquiry Board by the Superintendent of Income Tax, the following opinions are expressed:

"The Province of Manitoba collects approximately \$1,500,000 per annum under its 2% wage tax. The Province of Alberta could raise approximately \$1,000,000 per annum on a 1% wage tax, or \$2,000,000 per annum on a 2% wage tax such as Manitoba has."

"By increasing the rates in the lower schedule of our present Income Tax, making the rate 2% on the first one or two thousands and increasing the rate applicable to corporations from 4% to 5% as the other provinces have done, the collections under our present Act would be approximately \$1,000,000 per annum. This plus a 2% wage tax would yield roughly \$3,000,000 per annum."

With a population less than that of Alberta, the Province of Manitoba obtained in 1934 the following amounts from the various income taxes imposed:

Wage Tax	\$1,508,918.00
Income Tax (Persons)	981,937.00
Corporations Tax	292,093.00
<hr/>	
	\$2,782,948.00

The Manitoba Wage Tax:

On May 4th, 1933, "The Special Income Tax Act" came into force in Manitoba, and Part I of the Act indicates the basis on which this tax is imposed:

Section 3. "In addition to all other taxes to which he is liable under this or any other Act, every employee shall pay to His Majesty for the raising of a

revenue for provincial purposes a tax of 2% upon the amount of all wages earned by or accruing due to him on or after the first day of May, 1933, which tax shall be levied and collected at the times and in the manner prescribed by this part; but no tax shall be paid under this part by—

- (a) a married person, in case his wages be at the rate of forty cents an hour, three dollars and twenty cents a day, eighty dollars a month, or nine hundred and sixty dollars a year or under.
- (b) an unmarried person, in case his wages be at a rate of twenty cents an hour, one dollar and sixty cents a day, forty dollars a month, or four hundred and eighty dollars a year or under.

(2) In case an unmarried person has resident with him and wholly dependent upon him, a mother, father or sister, he shall be entitled to a refund of his tax if his total taxable income under this Act be less than nine hundred and sixty dollars a year, but a claim for the refund, in a form prescribed by the administrator, shall be made to the administrator within thirty days after the thirtieth day of April following:

(3) In case the total income during any year does not exceed nine hundred and sixty dollars in the case of a married person, or four hundred and eighty dollars in the case of an unmarried person, he shall be entitled to a refund of the taxes paid by him, but a claim for a refund shall be made to the administrator within thirty days after the thirtieth day of April following.

"Section 4. (1) Every employer at the time of payment of wages to an employee shall levy and collect the tax imposed on the employee by this part in respect to the wages of the employee earned or accruing due during the period covered by the payment, and shall deduct and retain the amount of the tax from the wages payable to the employee, and shall, on or before the fifteenth day of the month next following that in which the payment of wages takes place, or at such other time as the regulations prescribe, pay to the administrator the full amount of the tax. No employee shall have any right of action against his employer in respect of any moneys deducted from his wages and paid over to his administrator by the employer in compliance or intended compliance with this section."

(2) Every employer shall, with each payment made by him to the administrator under this section, furnish to the administrator a return showing all taxes imposed by this part on the employees of the employer in respect of wages during the period covered by the returns which shall be in the form and verified in the manner prescribed by the administrator."

(3) Every employer who deducts or retains the amount of any tax under this part from the wages of his employee shall be deemed to hold the same in trust for His Majesty and for the payment over of the same in the manner and at the time provided under this part."

"Section 5. (1) Every employer shall keep at some place in the Province, of the location of which he shall inform the administrator when requested to do so, a true and correct record of the names and residential addresses of all his employees, and of the dates upon which each of them worked, the wages paid to each, and such other matters as the administrator requires."

(2) Every employer shall, on request of the administrator, or any person authorized by him in writing, produce for inspection all records kept by the employer relating to his employees."

British Columbia:

In addition to the Income Tax imposed on individuals and corporations, the Province of British Columbia has had a Wage Tax in effect for a number of years. The employer is required to deduct 1% from the wages of his employees whose earnings exceed \$50 per month, and to pay the amount deducted to the Province. The amount so deducted applies against any greater tax payable under The Income Tax Act, and, if in excess, the excess is refunded. In Manitoba, however, the Wage Tax is in addition to the Income Tax.

Following is the revenue derived from Income Taxes in Alberta and Manitoba in the fiscal year 1933-34:

	Population	Revenue	Per Capita
Alberta	731,605	\$ 615,394	\$.84
Manitoba	700,139	2,782,948	3.97

From the foregoing figures it will be seen that, in the Province of Alberta, income, as a basis of provincial revenue, is an almost negligible factor in the tax structure of the Province.

As the issues relating to provincial and municipal taxation are at present in a state of flux, and as the widespread demand for a greater centralization of the cost of social services is a matter of government policy yet to be decided, the Taxation Inquiry Board refrains from making a definite recommendation that a Provincial Wage Tax be included in the provincial tax structure. Its inclusion, however, would result in increased provincial revenue, in a broadening of the basis of taxation and in relating more closely taxation to income.

31. A PROVINCIAL SALES TAX

One of the results of the present world-wide depression is the imposition by governments of the General Sales Tax. The excessive burden of taxation upon real property to such an extent as to become confiscatory in character has forced tax authorities to search for new fields of revenue, and in a large number of the States the most popular of the new imposts have been the General Sales Tax in various forms and an upward revision in Income Tax schedules.

While the constitutionality of a Sales Tax in the provinces of Canada is open to doubt, the question is engaging the attention of some of the provinces, and it is an issue that will be raised at the forthcoming conference between the Dominion and Provincial authorities. For this reason the Taxation Inquiry Board thinks it useful that a brief reference to the subject might quite properly be included in this report.

The Dominion Government has a Sales Tax in force from which, in 1934, it derived a revenue of a sum in excess of \$63,000,000.00, this being slightly more than the amount derived in the same year from the Dominion Income Tax. The Dominion Sales Tax was first imposed in 1920 with rates varying at intervals from 1% to 6%, at which latter figure the tax now stands.

In the Report "School Finance in British Columbia," by Major H. B. King, issued this year, reference is made to the question of a General Sales Tax being adopted in that Province as a means of raising substantial revenues for the support of education and the relief of taxation on real property, and the following quotations will be of interest:

"Some of the American States, notably California and Mississippi, have extricated themselves from their financial troubles by a general sales tax. California has raised almost a hundred millions a year from this tax which has stood the test of elections. The tax has become increasingly productive as the administrative machinery for collecting it has improved."

"The general sales tax has the merit of reaching every one in such a way that he is conscious of the fact that he is contributing to the cost of government, and there are many who hold that it contributes to good citizenship that people should know that they are paying for government."

"The sales tax is fiscally adequate or productive; it is economic; it is elastic, simple, and easily understood; it is flexible, and may readily be modified. Its equity, however, is open to debate, as it bears disproportionately upon the income of the poorer classes, even though some of the rich may make large contributions through their expenditures upon luxuries. However, its productivity makes it attractive."

"There is no doubt that a sales tax would contribute greatly to restoring the provincial revenues. It might, or might not, be unpopular. The meals tax, recently a trial in this Province, was collected in a manner which provoked discontent."

"The committee of business men selected by the Mayor of Vancouver to advise upon matters of finance and administration, has been reported to favour such a tax."

General Sales Tax.

"A sales tax of 1 per cent. upon all sales will increase the retail price of some commodities, but not necessarily of all. In the small purchases making up a family budget this effect would be so small as to be negligible. In large transactions, however, its effect will be noticeable, but here the principle of ability to pay applies."

"One may be confident that a sales tax, together with a very light tax upon real property (3 or 4 mills), will pay almost the total cost of education in the Province."

"The School of Commerce and Business Administration of the University of Mississippi conducted in 1932 a study of the working out of the new tax. The principal conclusions reached were:

- "1. The tax exceeds estimates as a revenue producer.
- "2. There is not an excessive amount of evasion.
- "3. The tax is economical in administration (cost of collection for first eight months was 3.8% of the proceeds).
- "4. The tax is administratively feasible.
- "5. The tax is not unpopular with either merchants or consumers.
- "6. Merchants generally shift the tax.
- "7. The tax occasions little loss of business in the State.
- "8. The incidence of the tax is primarily on the consumer.
- "9. The sales tax has justified itself, at least as an emergency measure."

The National Conference on the Financing of Education gives a balanced statement of this issue:

"The proceeds of taxes levied upon sales are not subject to the wide fluctuations characteristic of income taxes. They reach a class of the community who pay little or nothing under the usual income tax, but who, nevertheless, owe a financial obligation to the State and may be capable of paying some additional taxes. The introduction of the sales tax broadens the base of State taxation. . . . As contrasted with the income tax, the general sales tax is somewhat simpler, somewhat more dependable fiscally, but is perhaps less defensible from the point of view of equity."

The Sales Tax is now in force in 16 States and yields an aggregate revenue of \$180,000,000.00. Kentucky, Michigan and North Carolina impose a tax of 3 per cent., and California a tax of 2½ per cent.

The following extracts are taken from a paper read by Alfred G. Dichler at the 1934 National Tax Association:

"Sales tax in the United States has shown a surprising vitality, has proved its productivity and practicability under various conditions, is becoming more widely used, and may become a permanent feature in many state tax systems. The tax upon retail sales has proved especially attractive."

"If the States had been willing to cut total expenditures after 1929, the general sales tax would not have been introduced, but demands for maintaining public education, social relief, and other services compelled heavy spending. Large number of States have flocked to this new source of revenue. Property taxation has continued to disintegrate, and its burden upon real estate has been bitterly assailed."

"Hostility to a general sales tax weakens when the proceeds are devoted to some desirable object such as unemployment relief, education, or the reduction of obnoxious property taxation."

"The general sales tax will tend to become more firmly entrenched year by year. Its relative advantages as a revenue producer appear to assure its permanency in American taxation."

The Taxation Inquiry Board has already called attention to the urgent necessity of securing for municipalities either a broader basis of taxation than that which they now possess, or, in the alternative, the assumption by the Provincial Government of a preponderant share of the cost of the various social services which have a national rather than a local character.

The present trend in respect to tax reform is definitely in the direction of greater centralized administration and finance. It has to be recognized, however, that existing sources of provincial revenue are inadequate to meet the immediate needs of the Provincial Government, and that additional taxation must be imposed before a substantial portion of the present municipal burden can be transferred to the Province.

In view of the forthcoming Dominion-Provincial Conference at which it is expected that taxation issues will be fully explored, the Board recommends:

1. That the Province co-operate with the other Provinces in an effort to secure the right to enact a General Sales Tax Act, and that further study be made as to the advisability of imposing a provincial tax of this character.
2. That, in the event of failure to secure the right to impose a provincial sales tax, joint effort by the provinces be made at the forthcoming Dominion-Provincial Conference to secure an equitable share of the revenue now derived from the Dominion Sales Tax.

32. A PROVINCIAL TAX COMMISSION

The study of the incidence of provincial and municipal taxation by the Taxation Inquiry Board has emphasized the need of a permanent Provincial Tax Commission. At various times resolutions have been passed favouring such a step by many public bodies including the Union of Municipalities, City Councils, Boards of Trade, Manufacturers' Association, etc., and the subject continues to be a live one. Both the Province and the smaller taxing authorities have reached a stage where assessment and taxation issues have become subjects of vital importance.

While the Taxation Inquiry Board, appointed in 1933, is a partial response to this wide demand, the scope of its inquiry is restricted, and no adequate machinery at present exists by which effective supervision of all forms of taxation within the Province can be ensured. It is generally felt that until some such machinery as is now suggested has been brought into being, both provincial and municipal authorities will continue to experience uncertainty and confusion in respect to such matters as the equitable distribution of the tax burden, the respective fields of taxation, the administration of imposts now in force, and in formulating either new levies or in recommending the abandonment of old ones. Work of this character can only be effectively dealt with by a permanent body competent to deal with all matters relating to assessment and taxation.

For fifteen years a Provincial Tax Commission has been in existence in Manitoba, and its annual report not only indicates its functions, but makes available to the Legislature a reliable picture of the taxation situation in that Province.

Among the duties delegated to the Manitoba Tax Commission are the following:

1. To study and investigate the assessment and tax laws of the Province, of the other provinces of Canada, and of other countries, and to formulate and submit to the Legislature such legislation as the Commission may deem expedient to improve the existing laws of the Province relating to assessment and taxation, in order that such laws may be relatively just and fair; and for such purpose the Commission shall avail itself of all information of value afforded by the published reports of Tax Commissions and similar bodies in this and other provinces of Canada, and elsewhere, and in particular such reports from places and countries where new and approved methods of assessment and taxation have been introduced and are in operation.
2. To examine into all cases where evasion or violation of the laws relating to assessment and taxation of property is alleged, complained of, or discovered, and to ascertain whether existing laws are defective, or are improperly or negligently administered, and to prepare and recommend to the Government measures best calculated to remedy such defects.
3. To require the proper officials of every city annually to file with the Commission immediately after the assessment rolls thereof for the year have been reported and completed and certified to by the assessor a map or plan showing fully and accurately the valuations for assessment purposes placed upon the different properties or classes or groups of property comprised within the city and appearing on the assessment roll thereof, with the view of affording the Commission full and accurate knowledge in that behalf.
4. To act as a Board of Equalization to equalize in a fair and equitable manner the valuation and assessment of all property liable to taxation in the several municipalities in each of the judicial districts in the Province.
5. To act as a Court of Appeal in respect to all matters of assessment.

The following paragraph is quoted from "Provincial and Local Taxation in Canada" by Vineberg:

"The first step to be taken is the institution in each province of a Tax Commission, whose duty it shall be, not only to effect improvements in the administration of the tax system in vogue, but also to devise methods of improvement in the system itself."

For many years Tax Commissions have existed in the United States and have proved to be of great value. In his book entitled "The State Tax Commission," Professor Lutz has this to say:

"The last twenty-five years have witnessed a remarkable change in American tax administration, the development of State supervision and control of the assessment of property for taxation. Tax Commissions are found in thirty-five States. The tendency toward administrative centralization has been widespread, and has influenced the course of development in many fields of government activity. The State Tax Commission is the logical expression, in the sphere of taxation, of this well nigh universal phenomenon."

"The value of a certain degree of administrative centralization in taxation has already been so completely demonstrated that the Tax Commission must be accepted as a permanent organ of state government, the services of which will be essential to the successful operation of almost any substitute for the present tax system."

The following statement is taken from the report on "Taxation in the Urban Municipalities of Saskatchewan," by Professor Robert Haig, Columbia University:

A Provincial Tax Commission. It is now a serious question as to whether the time is not ripe for the appointment of a central provincial board of some dignity, power and responsibility, to assist in the administration of the tax system. The necessity of providing for equalization in connection with the Supplementary Revenue Tax gives point to the matter. Then there are equalization functions as between towns and rural municipalities which could well be assigned to such a body. . . . Experience in the United States has demonstrated the desirability of making such a Board small (the number is usually three) and of removing it as far as possible from political influences."

Related to the subject now being reviewed is that of the provincial machinery for the collection of taxes. Under the present system there are at least six departments of the Government collecting taxes, and the absence of co-ordination renders the system unnecessarily costly and conceivably less efficient and productive than it might otherwise be.

It is believed that with a Tax Commission, attached to the Treasury Department and functioning along the lines indicated, public dissatisfaction with the existing conditions would be allayed, and a sounder and more equitable system of assessment and taxation would eventually result.

**33. GOVERNMENT OF THE PROVINCE OF ALBERTA
PROVINCIAL REVENUE AND EXPENDITURE—INCOME ACCOUNT**

For the Year Ended March 31st, 1935

REVENUE

Particulars:

Dominion of Canada subsidies	\$ 1,771,475.00
Taxes	4,956,956.93
Licenses	1,883,814.88
Fees	1,933,791.81
Fines and Penalties	46,605.22
Profits from Trading Activities	1,527,133.54
Miscellaneous	86,749.03
Refunds of expenditure	1,986,379.52
From revenue producing assets	1,504,864.55
	\$15,697,770.48

EXPENDITURE

Particulars:

Debt Charges	\$ 7,137,338.25
Education	2,285,350.24
Legislation	203,714.37
General Government	1,451,236.40
Miscellaneous	30,264.80
Administration of Justice	768,068.48
Agriculture	401,554.01
Public domain, research and development	484,333.89
Public Welfare, institutions and charitable grants	3,831,873.11
Highways, bridges and ferries	798,586.66
Commissions and fines paid to municipalities and refunds	43,501.16
	\$17,435,821.37
Deficit for the year ended March 31, 1935	\$ 1,738,050.89

PER CAPITA STATISTICS—REVENUE

	Per Capita	Per cent. of Revenue
Dominion of Canada subsidies	\$ 2.31	11.28
Taxes	6.46	31.58
Licenses	2.46	12.00
Fees	2.52	12.32
Fines and penalties .....	.06	.30
Profits from trading activities	1.99	9.73
Miscellaneous .....	.12	.55
Refunds of expenditure	2.59	12.65
From revenue producing assets	1.96	9.59
	\$20.47	100.00

REPORT ON TAXATION

Particulars:	EXPENDITURE		Per cent. of Revenue	Per cent. of Expenditure
	Per capita			
Debt Charges	\$ 9.30	45.47	40.93	
Education	2.98	14.56	13.11	
Legislation .....	.27	1.30	1.17	
General Government	1.89	9.24	8.32	
Miscellaneous .....	.04	.19	.18	
Administration of Justice	1.00	4.89	4.40	
Agriculture .....	.52	2.56	2.30	
Public domain, research and development .....	.63	3.08	2.78	
Public welfare, institutions and charitable grants	5.00	24.41	21.98	
Highways, bridges and ferries	1.04	5.09	4.58	
Commissions and fines paid to municipalities and refunds .....	.06	.28	.25	
TOTALS	\$22.75	111.07	100.00	
DEFICIT	- 2.26	11.07		
	\$20.47	100.00		

34. CONCLUSIONS AND RECOMMENDATIONS

In the Summary of Representations it will be noted that the issues raised in connection with taxation are varied and complex and that the remedies suggested for the correction of existing defects in the provincial and municipal tax structure are numerous. In a series of chapters the Board has given a brief historical sketch of the various taxing Acts, and has indicated what steps it believes should be taken to improve the present tax system, both provincial and municipal.

Due largely to the increasing cost of social services, particularly in connection with Unemployment Relief, together with a marked shrinkage of public revenues, the equilibrium of the tax structure has been gravely disturbed, and inequalities in the incidence of taxation have become obvious. Not only is the tax structure of urban municipalities strained almost to breaking point, but the tax structure of the Province itself is lacking in productiveness, and quite inadequate to meet, through normal channels of taxation, its own obligations.

With the object of correcting in some degree the defects of the present tax structure, both provincial and municipal, and of bringing it more into line with changed social and economic conditions, the Board herewith submits for consideration the following conclusions and recommendations:

As to Provincial Taxation:

1. The Board holds the view that no satisfactory readjustment of the tax problem can be effected until an agreement has been reached between the three taxing authorities, Dominion, Provincial and municipal, as to their respective obligations. The fiscal problems of these authorities are closely related and interwoven and should be solved as "phases of the same problem" rather than as separate and unrelated issues.
2. That in particular Unemployment Relief and Old Age Pensions are in principle national obligations, the total cost of which should properly be borne by the Dominion Government.
3. That a Public Revenue Tax Act, similar to that in force in the Province of Saskatchewan, be substituted for the present Supplementary Revenue Tax Act, and a tax imposed to cover the cost of Mental Hospitals, Sanitaria, Mothers' Allowance and other social services which should be regarded as a provincial and not as a municipal responsibility.
4. That The Wild Lands Tax Act be repealed.
5. That the scope of The Fuel Oil Tax Act be extended by the widening of the definition of "Fuel Oil" at least sufficient to include all liquid petroleum products of whatever specific gravity that can be used, either alone or as admixtures, as fuel in internal combustion engines, that refunds be abolished, and that the present tax of seven cents be reduced to four cents, or
That the scope of The Fuel Oil Tax Act be extended by the widening of the definition of "Fuel Oil" at least sufficient to include all liquid petroleum products of whatever specific gravity that can be used, either alone or as admixtures, as fuel in internal combustion engines, that the tax remain at seven cents, but that re-

- funds be allowed at the rate of five cents instead of six cents per gallon, and that the purposes for which refunds are granted be restricted to machinery used for agricultural purposes.
6. That in view of the public demand for a clearer definition of the respective fields of taxation, and the reshaping of the tax structure in response thereto, the taxation of all mineral resources, together with equipment and structures beneath the surface of land be reserved for provincial purposes.
 7. That the present schedule of Provincial Income Tax rates is not in line with the rates levied by the other Western Provinces, and that the rates should be revised with the object of securing a larger return of revenue from this source.
 8. That it would be preferable, both from the viewpoint of the taxpayer and the Province, if the Income Tax were collected by one authority, and efforts should be made to secure co-operation of the Dominion Government to the end that they would collect, in addition to their own tax, the Income Tax for the Province; the schedule of rates being set by the Provincial Legislature.
 9. That consideration be given to the raising of the provincial rate of taxation applicable to Electric Power Companies, or, in the alternative, that a tax based on gross revenue be substituted for the present tax, and that such taxation be reserved for provincial purposes.
 10. That the practice of refunding a large percentage of the Parimutuel Tax to operators of race tracks be discontinued and that any grants to be made, be voted by the Legislature.
 11. That The Timber Areas Tax Act be repealed.
 12. That Section 31 of The School Grants Act be repealed, and that Section 12 of The Educational Tax Act be amended to provide for the payment of taxes collected in respect of permits and leases into the General Revenue Fund of the Province.
 13. That in respect to the taxation of freehold grazing lands in what are known as "The Short Grass Lands" in the southern part of the Province, steps should be taken to have them properly assessed. That in the case of leased lands the rentals charged and the taxes imposed should be regarded as a unit, be collected preferably by one authority, and that the total amount so imposed should bear an equitable relation to the productive character of the lands affected.
 14. That, with the object of broadening the basis of taxation and increasing the revenue of the Province, consideration might be given ✓ to the enactment of a Provincial Wage Tax on lines similar to those in force in the Provinces of Manitoba and British Columbia.
 15. That the Province co-operate with other provinces in an effort to secure the right to enact a General Sales Tax Act, and that further ✓ study be made as to the advisability of imposing a provincial tax of this character.
 16. That, in the event of failure to secure the right to impose a provincial sales tax, joint effort by the provinces be made at the forthcoming Dominion-Provincial Conference to secure an equitable share of the revenue now derived from the Dominion Sales Tax.

17. That a Tax Commission be appointed to ensure continuity of study and to have available reliable information in respect to all matters of assessment and taxation, and the establishment of provincial supervisory powers in connection therewith.

As to Municipal Taxation:

1. That the burden of taxation imposed upon land has become excessive, inequitable and confiscatory in character.
2. That a considerable portion of the tax burden is due to the increasing cost of social services of a national or provincial character, such as those of unemployment relief, education, health, old age pensions and mothers' allowance, and that in respect thereto municipalities have a just claim for relief.
3. That the effect of the present tax burden on land in urban centres discourages home ownership, commercial and industrial activity, the investment of capital, and is resulting in the progressive destruction of the value of real property.
4. That real property is no longer a criterion of wealth and should not be taxed to the extent of from 80% to 90% of the financial requirements of the community. Due to present statutory limitations, municipalities are denied the right to impose taxation on intangible property.
5. That the cost of social services other than those beneficial to real property be jointly borne by the community as a whole and the larger taxing authorities.
6. That the annual capitalization by cities of large sums in respect to expenditures on unemployment relief, while admittedly necessary in existing circumstances, is a grave injustice to owners of real property, and its continuance must inevitably result in the collapse of municipal finance.
7. That in respect to the problems of school finance, the need of greater centralization, both as to administration and finance, is evident, and that the power vested in School Boards enabling them to demand from Municipal Councils the full amount of their annual requirements, without due regard to the financial exigencies of the municipality affected, is in principle unsound.
8. That the defects of the present system of rural school finance can substantially be remedied by the adoption of larger units of administration.
9. That in view of the fact that technical education bears a close relation to the trade and commerce of the country as a whole, a large proportion of the cost of this type of education should be borne by the Dominion Government.
10. That in respect to Tax Exemptions of real property in the cities of the Province, steps should be taken to bring about a reduction.
11. That a more uniform system of taxation in respect to the Business Tax in the cities of the Province is desirable.
12. That a progressive policy should be adopted whereby the relation between "taxation" and "income-bearing capacity" becomes a more determining factor in the assessment structure of all taxing authorities.

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